

Export Strategy of the Czech Republic

for 2006 – 2010

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Introduction

The purpose of this document is to define **the vision, chief goals and key projects of the export strategy** of the Czech Republic. This documents intends to contribute to further increase of Czech exports and thereby promote the higher rate of growth of the gross domestic product, the increase of employment and macroeconomic balance. The export strategy proposes a system of tools that will be efficient, comfortable for entrepreneurs and compatible with the rules of the market economy, flexible and effective from the viewpoint of the use of the state funds.

The strategy presented in this document is based on principles set out in the Strategy of Economic Growth debated by the Government of the Czech Republic on 20 July 2005 and builds on previous Pro-Export Policy Concept for 2003 – 2006. It is also consistent with the Strategy of Sustainable Development of the Czech Republic (approved by the Government Resolution No. 1242 of 8 December 2004), with the Concept of Uniform Presentation of the Czech Republic (approved by the Government Resolution No. 74 of 19 January 2005), the Concept of Foreign Development Policy of the Czech Republic for 2002 – 2007 (approved by the Government Resolution No. 91 of 23 January 2002), as well as the Concept of Foreign Policy of the Czech Republic (approved by the Government Resolution No. 223 of 3 March 2003). The export strategy is indifferent in terms of equality between men and women.

The export performance of the economy depends on a number of factors, in particular on the quality of the commercial environment, performance of the companies themselves and the external environment. **This document only deals with activities and procedures that are directly and exclusively related to export processes and** therefore does not describe more general macroeconomic links of the economic policy. The export strategy does not specifically analyze individual commodity groups of goods and services, since such an approach would result, at the level of the general concept, in the breach of the principle of equal opportunities for Czech exporters. Specific tools intended for the development of exports of individual commodity groups should be subject of individual sectoral policies and should be based on the framework defined by this strategy.

The export strategy of the Czech Republic until 2010 is based on the analysis of the systems of support for exports used in EU countries, the USA, the requirements of enterprises themselves that have been identified in several goal-directed surveys, the analysis of Strengths and Weaknesses, Opportunities and Threats of the Czech economy with special focus on external relations (SWOT analysis). Despite the fact that the favourable development of Czech foreign trade is obvious, **this documents seeks new, so far unused opportunities for the increase of international competitiveness of the Czech Republic.** The implementation of the proposed projects will be **beneficial for citizens, entrepreneurs and will improve the Czech Republic's position** in the world economy.

The significance of export problems has been proved by experience of advanced countries - the companies which succeed in foreign markets have **higher level of productivity,**

innovations and revenues, as well as higher level of wages in comparison with companies that do not export. [NU02]

The export strategy presented in this document is divided into the following areas:

1. **Vision** – it defines future status
2. **Goals** – determines chief goals of the export strategy
3. **Projects** – determines projects intended for the achievement of goals

The export strategy defines 12 key projects that correspond to 4 goals:

I. More opportunities for entrepreneurs

- Facilitation of the trade conditions
- Activities in key markets
- Building up of a „brand name“ of the Czech Republic in the world

II. Provide professional and efficient support

- Efficient assistance for exporters
- Increase of exports of services
- Increase of direct investments
- Development of export alliances

III. Improve and extend the quality of services

- New system of services provided by the state to exports
- Customer Centre for Exports

IV. Increase capacities for exports

- Network for exports
- Extension of financial services for Czech exports
- The Export Academy

The tools and projects of the export strategy are focused on **positive influencing of the general position of the Czech economy with respect to foreign parties** (expressed in terms of the balance of payments). This fact is extremely important since from the macroeconomic viewpoint the improvement of the balance of foreign trade may make up for lower revenues from the influx of foreign investments into the Czech economy.

The Ministry of Industry and Trade will seek the closest possible co-operation with the Ministry of Foreign Affairs and other economic sectors in such a manner to ensure that

common activities result in quality, professional and efficient assistance to the process of penetration of foreign markets by Czech companies realizing exports and investments abroad.

The financing of the implementation of the export strategy of the Czech Republic for 2006 – 2010 will be secured by standard procedures by means of the funds allocated to the Ministry of Industry and Trade and other sectors in individual years from the state budget (framework budget in Annex 5).

1. Vision of the export strategy

The efficient export strategy must intend to contribute to the increase of competitiveness of local companies and promotion of commercial and economic interests of the country abroad. It must constitute the dominant part of the government policy in support of economic growth. It cannot be focused on the mere creation of favourable macroeconomic and trade and political framework. It must endeavour to come close to an approach which exporters label as **an active and fierce trade policy**.

The export strategy is derived especially from models of increasing competitiveness in EU countries. **Successful models in these countries are primarily based on direct assistance to companies abroad, goal-directed promotion of the country and individual lines of business and active work of people posted by the state to serve the companies.** Consequently, it is obvious that it will be necessary to devote more time to companies that need the services of the state in the course of their entry into international markets. The requirement to allocate time effectively and measure the results is associated with this aspect. The style of work of people who operate on behalf of the state abroad needs to be tailored to this requirement which means to modify the relation "official - official" to the relation "expert - customer".

Self-evident prerequisite for the development of the export strategy is the necessity to abide by international rules and obligations of the Czech Republic not only in terms of its position of the EU Member State, but also as a member of WTO, OECD and other organizations.

Services abroad provided by the state will be based on **concepts with respect to key, priority groups of countries**, in which we may achieve economic results and measurable effects. Representations of the state are only justified in countries where there are good chances to accomplish positive effects. We will be interested primarily in the assessment of satisfaction of users with the way we serve them. It is important not to confuse ends and means. Figuratively speaking, it is not sufficient to "open the doors" and „organize official participations“, but we must also be aware of "who is behind these doors" and how many opportunities the exhibitors have obtained and what are the results of negotiations.

By means of the export strategy the state contributes to the acceleration of positive effects achieved by Czech companies in foreign markets. The SWOT analysis of the Czech economy with focus on exports (see Annex 1) characterizes key weaknesses which may be changed only subject to the general economic strategy.

Vision: Promote the Czech Republic in the world through trade and investments.

Despite the fact that the **development of exports** in recent years has been very favourable according to the per capita value of **exports (EUROSTAT), the Czech Republic in 2004**

became the most dynamic exporter among EU countries – [MIT05]), there is still a number of unused opportunities in the competitiveness of the Czech economy.

The current growth, by its nature, is rather extensive, it capitalizes primarily on comparative advantages (cost of inputs, cheap labour force) which will be exhausted in the long-term. According to OECD data, the Czech Republic lags in the productivity of labour behind most countries of EU 15. In comparison with Austria, Germany or Great Britain the labour effectiveness in the Czech Republic is by 50% lower, when compared with Luxembourg or France, it is roughly one third of Luxembourg and French figures. [OECD2005]

Exports are conducive to the increase of the labour productivity, since export impulses and requirements for the competitiveness of products accelerate not only processes of innovations in the area of technical and technological solutions, but also have impact on modernization of infrastructural networks and define new requirements even for human resources, their qualifications, mobility, etc.

The increase of exports, however, does not have positive impacts on the immediate exporter only, but it also produces the entire range of stimulating effects within the national economy in general. It enables **the creation of new jobs, not only in the case of direct exporters but within the whole network of their local subcontractors and in a number of sectors of services. This leads to the strengthening of employment and income of households which is associated with the increased demand and consumption having favourable impact on the rate of economic growth.**

The purpose of the export strategy is to contribute to more extensive involvement of the commercial sphere in the area of international commerce in foreign markets, not only through the development of the trade exchange, but also through higher investment activity in external relations.

1.1. Approaches to the support for exports

1.1.1. System and institutional framework

In the course of the last decade we have witnessed rapid changes in international markets. Globalization leads to enormous competitive struggle, both abroad and in the local environment. How will individual economies stand the test of this process depends not only on the adaptability of the commercial sphere, but also on the relevant steps and decisions of governments. Governments are responsible for securing of an appropriate commercial environment for trade, investments and establishing of strategic partnerships. This process involves the relevant legislation, tax laws, the entire system of the commercial environment, but also other areas that are important precisely due to the internacionalization of commerce:

- **Properly functioning international markets:** The state must endeavour to influence the creation of such conditions in international markets that will **reduce barriers to trade and reduce the costs of companies** in their entry into foreign markets.
- **Support for exports :** In particular small and medium-sized enterprises (SMEs) need the services provided by the state in the course of their entry into international markets, establishing of alliances and strategic partnerships. A stronger offer of a group of companies or associations supported by the activities of the state abroad means achievement of higher advantages in business negotiations. **The support for exports must be based on equal access to services offered by the state and to the environment created by the state.**
- **Access to and sharing of knowledge and contacts:** The role of the state consists in the creation of appropriate conditions even for the development of knowledge, use of the results of research and development, the transfer of know-how. The strategy envisages that on the basis of partnership with the commercial sector it will promote the establishment of the Export Academy as the centre of sharing knowledge and information necessary for the growth of the exporters' knowledge. The sharing of knowledge, export skills and competencies will be pursued in collaboration with the private sector. The **Export Academy** will be a place where through the work of joint teams „the prestige of **know how**“ of Czech companies within individual market segments will be growing.

The majority of advanced countries prepare strategies with a view to securing the most appropriate conditions for the increase of their own exports. They do so in accordance with international rules which despite the fact that they prohibit any support for activities associated with exports, give sufficient scope for governments to implement market-oriented policies compatible with the rules of economic competition and free trade.

The monitoring and defence of interests of exporters themselves is a very important part of export strategies in the case that foreign competitors use inappropriate, unfair

or anti-market tools (Trade Advocacy). The states are aware that in connection with increasingly demanding competitive environment for clients of the state, i.e. commercial entities, a system of support for exports must be established, including financial services that will help to these clients to enhance their capability to be competitive in global markets (Trade Promotion). In all countries special attention is paid to **measures in support of trade for small and medium-sized enterprises (SMEs).**

In a number of advanced countries emphasis is put on the improvement of political co-ordination for the support for exports. In the USA, the agency in charge of these activities is the Trade Promotion Co-ordination Committee, in Great Britain the Whitehall Export Promotion Committee, in France La Direction Générale du Trésor et de la Politique économique. The task of these committees is to define chief goals of the pro-export policy for the government. The development of national strategies by the governments is based on the assumption that national strategies cannot be created only by government bodies and institutions since for their success direct and permanent co-operation with the commercial sphere is necessary.

Effective strategy is based on partnership – it is drawn up by the government and consulted and supported by the commercial community. (In the case of the Czech Republic, these are commercial representative organizations, such as the Association of Industry and Transport of the Czech Republic, the Economic Chamber of the Czech Republic, the Association of Exporters, etc.). For illustrative purposes, we set out below several examples of countries and the orientation of their pro-export policies.

In the USA, the Congress discusses on a regular basis the National Export Strategy. The strategy published in 2004 assessed the fulfilment of recommendations of 2002, prepared the strategy of support for trade with China and also for countries with which the USA has entered into agreements on free trade and for countries in crisis regions.

In Germany, the purpose of the pro-export concept is the development of the co-ordinated system which will enable to each company to find the appropriate tools for the fulfilment of its goals. It is focused on the support for exports for small and medium-sized enterprises (SMEs), for the improvement of transparency in the provision of services and for the support for exports in new growing markets offering good prospects.

In **Austria** the government prepared and adopted in 2004 a total of 30 measures for the support for exports with a view to securing the increase in exports of goods, services and investments. These measures are geared towards assistance in the process of entry into the markets, know-how and human resources, tools for the support for exports, creation of framework conditions and marketing abroad. The Austrian sources state that **the increase of exports by 1% creates 10,000,000 new jobs in Austria.**

Table 1 – Orientation of pro-export policies of selected countries

1.1.2. Services and tools of the export policy

In advanced countries the state offers services, the chief task of which is to be conducive to the expansion of entrepreneurs into foreign markets. From the analysis of offers of individual institutions it is possible to prepare the following summary of typical services provided by the states:

- provision of information and consultancy services (marketing analyses, identification of trade partners, support for the creation of export-oriented groups of companies and enterprises),
- organization of trade missions into selected territories,
- mediation of contacts with foreign institutions (opening of doors),
- support for programmes for the identification of new opportunities for innovation business,
- organization of workshops and other educational events,
- consultancy on trade fairs and the support for participation in trade fairs and exhibitions,
- offer of financial services and products (loans, insurance),
- investment consultancy,
- presentation of trade opportunities and marketing of the country.

Almost in all countries **only basic services are free of charge** (basic marketing information), **for other services fees are charged** despite the fact that such fees nowhere near cover the total costs. The range of services is constantly being extended and transformed from the provision of general territorial information to more detailed information and thorough analyses.

The performed comparison of the management and securing of the commercial and economic services of the state abroad, as well as the comparison of the extent and quality of these services showed that in all the countries compared (Denmark, Finland, Ireland, Hungary, Austria, Spain, Sweden, Switzerland, Taiwan and Great Britain) the support for exports is pursued, though the details of its actual contents are different.

In terms of the demand for and the use of services the following hierarchy may be defined:

1. identification of trade partners which is the most required and most appreciated one (if the experience is negative, it is the most criticized one),
2. organization of trade missions,
3. support for participation in foreign exhibitions and trade fairs,

4. sectoral marketing studies/market analyses that would contain:
 - a. identification of competitors and their position in the market
 - b. identification of potential partners (or distribution channels) and the description of trade conditions (tariffs, charges, licences/permits, etc.)
 - c. more detailed specification of the requirements of foreign customers
5. involvement of the state in the securing of financing of export activities (loans, insurance, guarantees)
6. assistance in the securing of export formalities (obtaining licences/permits, customs formalities)
7. support in the setting up of own branches, assistance in searching for and selection of employees.

The main requirements for service providers are as follows: **expert knowledge, flexibility, ensuring awareness.**

Expectations from the state are primarily associated with more marked assistance of pro-export institutions in the penetration of less known or demanding markets (Asia, Latin America, Africa), namely:

- establishing of contacts in political circles/important institutions,
- guarantees/insurance of exports,
- assistance for exporters commencing their operations – introduction into the problems, orientation in the world market,
- financial assistance for the obtaining of information about foreign markets and during their initial visits (trade missions, participation in trade fairs, etc.)

From the above comparison is clear that the **types of the services offered are not considerably different from the services provided by institutions in support of exports in the Czech Republic.**

Requirements of Czech companies for the support for exports

With the aim to identify the most frequently required services and include them into the offer of institutions in support of exports the survey of the requirements of the commercial sphere has been conducted (questionnaire survey organized by the Ministry of Industry and Trade in May 2005). More than half of the respondents assessed the quality of services provided by the state as beneficial, however, more than half of them noted that it is difficult to „work one's way to it“.

The respondents are mostly interested in the services as follows:

- **information on the market** (competitors, potential trade partners, characteristics of the market),
- **securing financial assistance for export orders/contracts** (credit insurance, guarantees, screening of customers).

The key benefit of the support provided by the state to exporters, in their opinion, consists in increased competitiveness and facilitation of an access of Czech companies to foreign markets. The state should, in their opinion, focus in the future in particular on the overall improvement of the commercial environment, financial support for exports and marketing activities. From the viewpoint of territories, the respondents showed most interest in **Russia, the Commonwealth of Independent States and the EU countries.**

It is obvious that interest of Czech companies in the services provided by the state is similar to that of the countries compared: market research, trade missions, official participation in trade fairs and exhibitions, financial and insurance services..

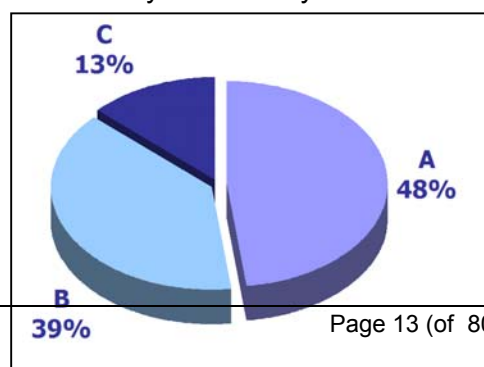
1.2. Critical factors of success

Based on the assessment of the results of the current Czech Pro-Export Policy Concept, comparison with the practice in advanced market economies and identification of customers' (the exporting companies) needs it is possible to identify key areas for further improvement of this Concept:

- 1) In comparison with advanced countries we have **considerably lower capacity of employees** in charge of support activities abroad. In Denmark, the head office employs some 100 staff, 300 employees work abroad, in Finland, the head office FINPRO employs 130 staff, with 241 employees operating abroad. In Austria, there are 100 staff employed by the head office and 600 employees abroad. Approximately one half of employees of these countries abroad are local staff. **From this comparison is clear that the distribution of human resources between the head office and foreign country is quite the opposite in the Czech Republic** (at the Ministry of Industry and Trade, the Ministry of Foreign Affairs, the head office of CzechTrade there are 235 employees, at embassies/OEÚ and RO CT there are 140 employees). **The network of foreign employees in advanced European countries in terms of its capacity is approximately three times stronger in advanced European countries.**
- 2) The current **services** of the state in the area of the export policy do not cover satisfactorily the exports of **investments abroad and the exports of services.**
- 3) Another weakness is the fact that **we are not able to develop effectively export education and share export experience.**
- 4) The Czech companies require **the improvement of awareness** of services for entrepreneurs and their **regional availability**, as well as professional approach towards their provision. The commercial public is not sufficiently aware of all the areas in which the state may assist, the offer of services is not clear. The marketing of the services provided by the state is decentralized between various institutions, there is no integrated offer of services.
- 5) In order to increase the effectiveness of the pro-export policy, close co-operation and co-ordination of efforts with commercial associations, economic chambers and other representative commercial organizations is required.

The conclusions of point 4 are supplemented with the results of the survey conducted among Czech exporters (questionnaire survey organized by the Ministry of Industry and Trade in May 2005). The following graph shows the distribution of answers of respondents in terms of the assessment of contents, clarity and communication of the offer.

48 % (A) of respondents characterized the offer of services provided by the state, basically, as clearly



arranged, nevertheless it is sometimes difficult „to find it and find one's bearings in it“.

39% (B) of respondents characterized the offer of services provided by the state as confusing, they are unable to find their bearings in it, they do not know, whom should they contact.

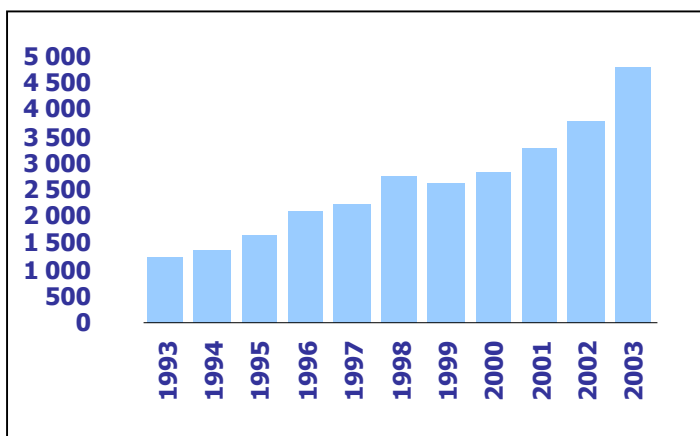
13% (C) of respondents characterized the offer as clearly arranged, easily accessible and they are able to find their bearings in it easily.

Figure 1 – Graph showing the orientation of entrepreneurs in the offer of services for exports

1.3. Benefits of the Export strategy

The criterion of success in the fulfilment of the vision of the export policy **is the increase in the value of Czech per capita exports** and quicker approximation of this indicator to the level achieved in EU countries of comparable size.

According to the information available [OECD2005] in 1993 in the Czech Republic per capita exports of goods in current prices reached the parity of FOB of some USD 1,248 USD, in 1998 it was double this amount, i.e. some USD 2,750 and in 2003 it reached some USD 4,700 per capita. According to



the Czech Statistical Office per capita exports in 2004 amounted to some EUR 5,300 (USD 6,300) in 2004.

Figure 2 – Graph showing the development of Czech per capita exports

In comparison with similar economies of the EU, however, we may note that this indicator is approximately 2 times to 5 times lower (Austria exports approx. 2.35 times more, Belgium 5.5 times more, Denmark 2.75 times, Ireland even 6 times more). By the fulfilment of goals of the export strategy the growth of this indicator will be accelerated. Similarly, also the per capita increase of Czech exports will be the criterion of success. Currently, this indicator amounts to some USD 760 which is deeply below the level of comparable EU countries. The share of the Czech Republic (0.7 % of the world exports of goods and 0.46 % of the world exports of services) is lower than the share of comparable countries. (Austria 1.29 % and 2.25 %, Denmark 0.83 % and 1.78 %, Belgium 3.39 % and 2.36 %). This policy pursues the goal **to increase the Czech Republic's share in world exports of goods and services.**

We anticipate that in the case of achieving target values of export strategy indicators, exports will contribute to the rate of growth of the GDP by some 1 percentage point. Similarly, we may anticipate positive impacts on the increase of employment up to 50,000 jobs.

The benefits of the export strategy with respect to three categories of users are defined in the following table.

	Benefits of the export strategy
State	The growth of GDP made more dynamic, increase of the share in world exports
Entrepreneur	Increase of productivity and competitiveness, increase of companies' turnover
Citizen	Jobs, higher wages, better mobility of the labour force, higher qualifications, higher standard of living

Table 2 – Benefits and indicators of the export strategy

Indicator	2005	2010
Per capita exports of goods	USD 6,300	USD 10,400
Per capita exports of services	USD 760	USD 1,140
Time resources for services abroad ¹⁾	70,000 hours annually	350,000 hours annually
The share of the Czech Republic in the world exports of goods	0.72%	0.9%
The share of the Czech Republic in the world exports of services	0.43 %	0.6 %

¹⁾ on the assumption that the number of the state employees in charge of the support for exports abroad will be increased to some 400

1.4. Conditions for the fulfilment of vision

Within the process of development of the export strategy four key conditions have been identified the fulfilment of which is the basis for successful implementation.

1. Maintaining the dynamics and position of the Czech Republic in European markets

Exports of the Czech economy are closely territorially focused on EU (in 2004 85.9 % of exports were delivered there and at the same time 71.8 % of all our imports come from this territory). Should we currently underestimate the necessity to pursue actively the operations in these markets, we might lose the current position. Consequently, due attention will continue to be paid to these countries within the activities of the export strategy. The personnel and financial resources allocated for the support of services provided by the state in EU countries will not be increased, but these resources may be **flexibly reallocated within the EU countries subject to the demand of Czech companies.**

In order to secure the maintaining of the existing dynamics of Czech exports it will be necessary to „maximize opportunities“ in EU markets. Apart from traditional exports to these markets this may include the involvement of Czech companies in public contracts and also common activities in the foreign market in the form of alliances and presence in the market in the role of subcontractors. The presence in EU markets will be increased also through practical application of basic freedoms of the single internal market, i.e. the movement of goods, services, capital and persons. The EU market is extraordinarily important also for the start-up companies commencing their export operations.

2. Promotion of interests of the Czech Republic in the growing markets outside of the EU

A necessary prerequisite for the fulfilment of the vision of the export strategy is the expansion of exports to new markets (to support changes in the territorial structure of Czech exports). The current dominant position of the EU means dependence of exports on economic development in this area. We may assume that in the medium-term outlook exports to EU markets will be inhibited by the increase of costs for producers in the Czech Republic. If we focus on the newly growing markets and operate their effectively through export strategy tools, the level of this dependence may be reduced. If we fail to take advantage of this opportunity, we may expect insufficient use of the exports potential of our economy, high costs of lost opportunities for both our companies and the state. **The list of priority territories will be updated on a regular basis once a year subject to the assessment of interests of Czech companies and the scope of opportunities.**

3. Offer of top services provided by the state for Czech exporters

The goal of the strategy is to offer in 2010 to Czech companies **services comparable with the most advanced EU countries (in terms of quality, intensity and scope).** Thereby

one of the competitive disadvantages which the Czech companies have to face will be removed.

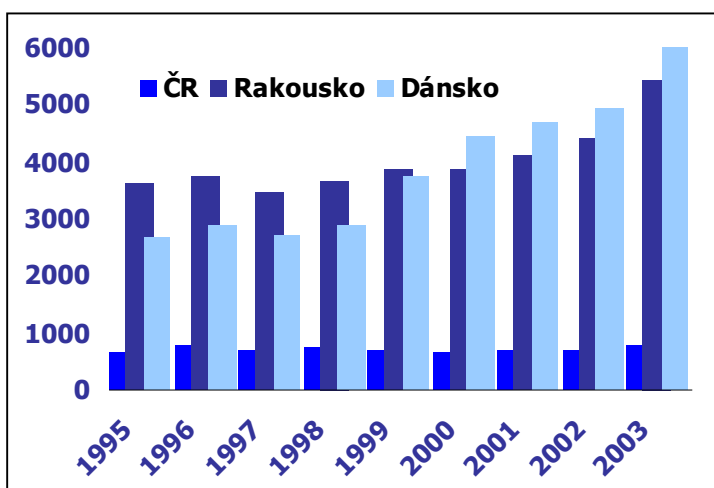
The market-conform support will be based on co-ordination of activities of entities, the sharing of information, regular assessment of customer satisfaction and systemic investigation of the requirements of the Czech commercial sphere. The implemented projects of the export strategy will be geared towards further improvement of the quality of the services provided to exporters, extension and integration of the offer of services and increased comfort of customer servicing. The performed comparison of the services provided by the state showed that assistance services abroad produce highest effects. Consequently, the export strategy intends to **increase the number of state employees abroad** (by strengthening the number of economic diplomats, representatives of CzechTrade). This increase will be carried out only partly by raising the number of economic diplomats or representatives of CzechTrade posted from the head office, but it will be primarily covered by the increase of the number of local staff which is a standard practice in all advanced countries. At the same time, the number of employees operating at the head office is expected to be reduced.

4. Support for Czech investments and exports of services abroad

The demand for goods has its limits. Unused opportunities having enormous potential for Czech companies are available in the segment of exports of services and investments. Due to the existing legislative and other trade restrictions, capital investment may be the most appropriate way of penetrating a foreign market. Moreover, transferring of the production abroad reinforces the competitiveness of the Czech production and creates export opportunities for Czech companies with high local added value.

As far as the per capita exports of services are concerned [OECD2005], we may note that this indicator has been increased in the Czech Republic since 1995 by some 17 % whereas in the case of EU-15 countries comparable in terms of the number of the population with the Czech Republic, this increase was 25 to 50 %. In absolute terms these

are values of USD 760, in comparison with some USD 5,417 (Austria) and USD 4,000 (the Netherlands) or USD 4,300 (Belgium).



(Překlad textu ve vloženém obrázku: ČR=The Czech Republic, Rakousko=Austria, Dánsko=Denmark)

Figure 3 – Graph showing the development of the per capita exports of services of the Czech Republic (values of exports denominated in USD)

Currently, there is no co-ordinated system of support for investments abroad and for exports of services. By the introduction of this system and co-ordination of activities of the parties involved (the Ministry of Industry and Trade, the Ministry of Finance, EGAP, the ČEB, CzechTrade, embassies) the opportunities for the development of **trade co-operation** will be considerably extended and the value of exports of services and investments will be increased.

The emphasis put on **exports of services and investments** is a **standard practice in all advanced countries**. In the Austrian pro-export strategy „GO International“ of 2004, 4 of the total 30 measures are devoted to investments and services. The emphasis on exports of services is obvious also in the strategy of the Irish „Department of Enterprise, Trade and Employment“.

1.5. System of goals of the export strategy

The system of goals has four levels (horizons). At the level of the services provided by the state, projects named the Facilitation of trade, Activities in key markets and the Building up of brand name of the Czech Republic in the world are grouped together. The key challenge of this level (horizon) may be worded as follows: „what the state may do to ensure that commercial entities may take advantage of more opportunities for trade“. This involves the creation of conditions for trade, building up of the Czech Republic's position in the international market, preparation of the local economy for success in international competition. The tool used in this case is in particular diplomatic pressure with a view to promoting Czech interests and its purpose is to enable the penetration of the foreign market by the properly prepared Czech commercial entities and **reduce the costs** incurred by companies during their expansion abroad.

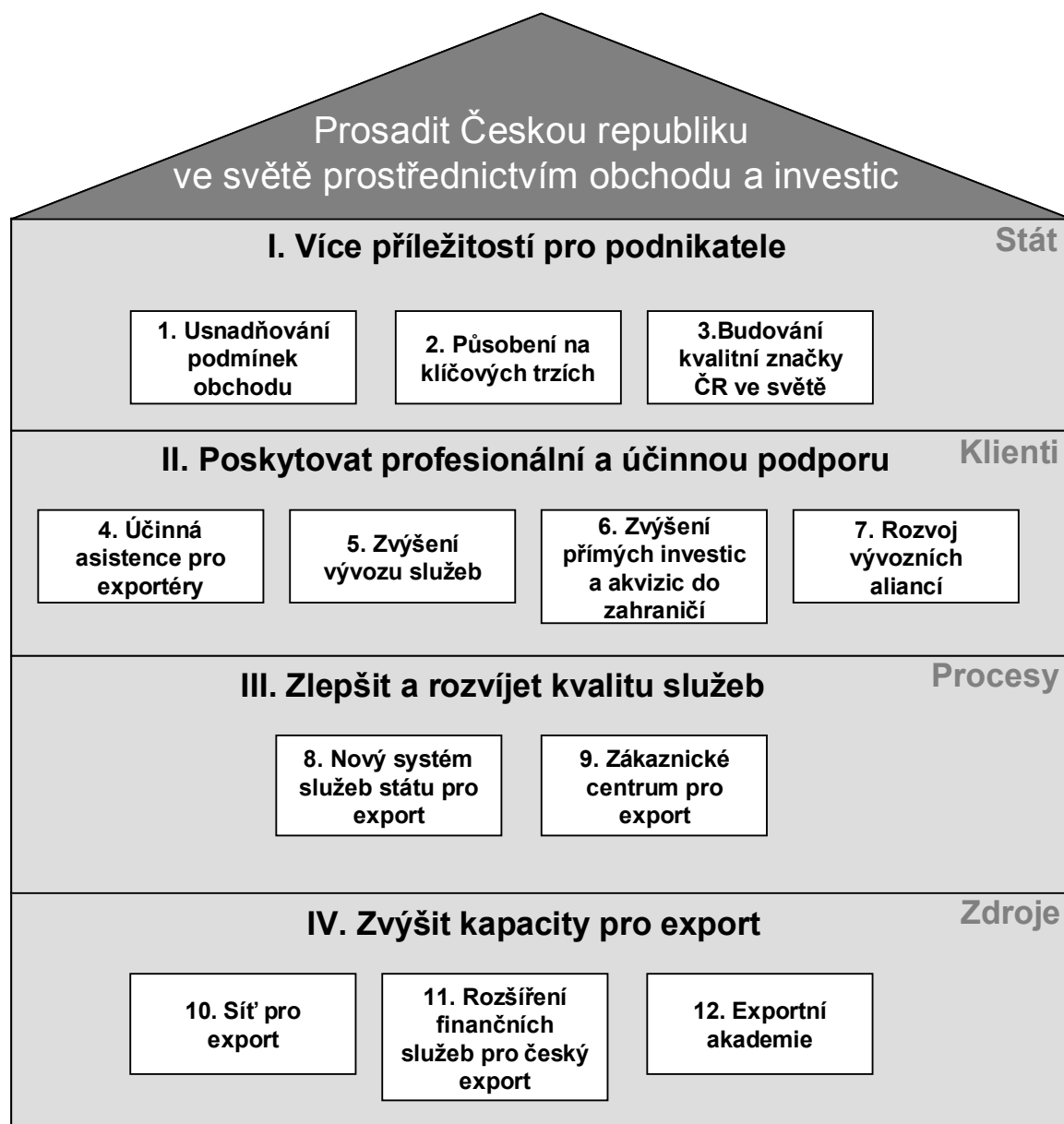


Figure 4 – Goals and Projects of the Export Strategy

(Překlad textu ve vloženém obrázku:

Promote Czech Republic in the world through trade and investments			
I. More opportunities for entrepreneurs			State
1. Facilitation of trade conditions	2. Activities in key markets	3. Building up of brand name of the Czech Republic in the world	

II. Provide professional and efficient support			Clients
4. Efficient assistance for exporters	5. Increase of exports of services	6. Increase of direct investments and acquisitions abroad	7. Development of export alliances
III. Improve and develop the quality of services			Processes
	8. New system of services provided by the state for exports	9. Customer Centre for Exports	
IV. Increase capacities for exports			Resources
10. Network for exports	11. Extension of financial services for Czech exports	12. The Export Academy	

At the level of clients the projects named Efficient assistance for companies abroad, Support for exports of services, Support for investments and acquisitions, Support for export alliances are grouped together. This involves the provision of professional and efficient support with focus on the effectiveness of services which must produce measurable outputs. All activities, services rendered and communication must reflect the customer-oriented and partner approach to commercial entities.

It is also necessary to develop the quality of the existing services. This involves the improvement of processes, transparent assessment and measuring of the impact of services on the capability of the entrepreneurs to export. It is also important to enhance the comfort of client servicing, to ensure simplified and more transparent offer of services and increased awareness of the services provided by the state. The introduction of managerial methods of management is also essential. **The system of services provided by the state abroad will be certified under ISO 9001:2000.**

Another goal is to increase the capacities for exports. It is necessary to have sufficient clients prepared for exports and informed about opportunities and subsequently after the realization of a particular business transaction facilitate (simplify) for entrepreneurs the process of financing and securing of loans. The projects named the Export Academy, the Network for exports and the Extension of the financing of Czech exports serve to this purpose.

1.6. Exports and competitiveness

The competitiveness of the economy reflects the success of products and services of commercial entities. Based on the rating of the World Economic Forum [WEF05] the Czech Republic, in terms of the Growth Competitiveness Index which describes the capability of the countries to achieve growth in the long-term and the mid-term outlook, was placed 38th of 117 countries in 2005. In comparison with 2004 it has improved its position, gaining two places. In terms of technological preparedness, the Czech Republic was placed 22nd which may be regarded as a very good result. According to the partial index describing the status of public institutions, the Czech Republic in 2004 placed 48th, only after Slovakia which was placed 45th. In terms of the macroeconomic environment, the Czech Republic was placed 46th.

The Business Competitiveness Index treats competitiveness from the viewpoint of microenvironment. It is obvious, that for national competitiveness it is decisive to assess, inter alia, how advanced the companies are. The index examines the processes and strategies of companies and the quality of the national environment in which the companies compete, assessing how advanced they are. According to this index, the Czech Republic's overall position was 27 in 2004 [WEF05]. In terms of the assessment of the advanced status of companies, the Czech Republic was 29th. Microenvironment for commerce has been rated by the 27th place.

The joint role of the state and entrepreneurs is to increase the Czech Republic's competitiveness and improve its rating in comparison with other countries. The improvement of the system of management of commercial and economic services provided by the state abroad, the introduction of new services and the creation of their integrated offer for entrepreneurs will produce favourable effect to this end.

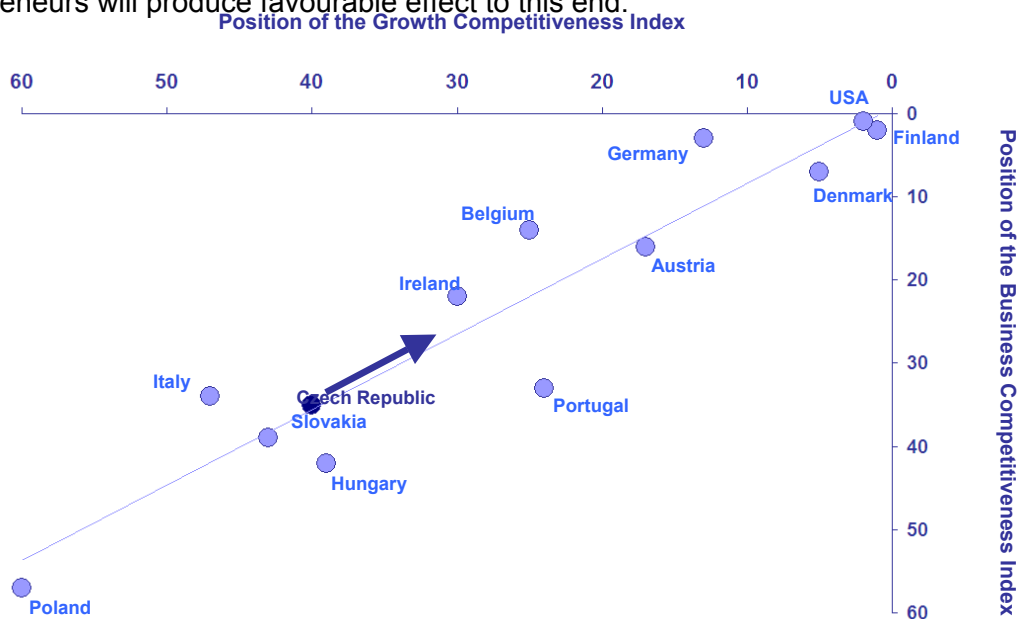


Figure 5 – Graph showing the competitiveness position of the Czech Republic

1.7. Projects and services for small and medium-sized enterprises (SMEs)

In 2004 almost 31,000 companies participated in our exports. However, large portion of this number represented companies with the volume of exports only up to CZK 10 million annually. These enterprises accounted for more than three fourths of the overall number of exporting companies, however, they participated in the aggregate value of exports only by less than two per cent. The share of all small and medium-sized enterprises (SMEs) in exports of the Czech Republic as at 31 December 2004 accounted for 34.3 % which is approximately 1.6 times less than the average of the EU countries (in the case of countries, such as Finland, Denmark, Ireland, the share of SMEs in exports is even higher). Consequently, the strategy focuses the majority of its projects precisely on the **development of international competitiveness of small and medium-sized commercial entities**.

Number of company employees	Volume of exports (CZK million)	Share in overall exports (%)	Difference in the share in comparison with 2002 (% points)	Volume of imports (CZK million)	Share in overall imports (%)	Change in the share in comparison with 2002 (% points)
natural persons 0-249	36,006	2.6	-0.6	52,065	3.6	-0.6
legal entities						
thereof 0 - 49	157,502	11.5	0.0	31,633	22.0	0.6
50 - 249	273,565	19.9	0.1	348,189	24.2	0.2
250 and more	904,737	66.0	0.5	723,315	50.2	-0.2
Total	1,371,810	100.00	0.00	1,441,202	100.00	0.00
SMEs 0-249	467,073	34.0	-0.5	717,887	49.8	0.2

Table 3 – Exports by company size

In the course of their expansion to foreign markets, SMEs have to face the following areas of problems:

- more complicated obtaining of marketing information on distant markets and customers,
- more difficult entry into foreign distribution channels,
- higher financial requirements for the compliance with quality and technical standards,
- lack of qualified labour force,
- access to capital for the financing of expansion abroad,
- complicated access to professional education (training),
- worse quality of the management as such.

The thing is that small and medium-sized enterprises (SMEs) are shaping the sound commercial environment and dynamically create new opportunities in the country's economy. They offer jobs for employees who leave large companies due to the restructuring and thus constitute the stabilization element of the economy. SMEs are able to adapt more promptly to any market fluctuations and bridge market gaps. Due to the above mentioned problems **the support for the growth of international competitiveness of SMEs is one of the priorities of the pro-export policy** which thus responds to:

- Strategy of economic growth which states, inter alia, that it is necessary to allocate resources primarily into the areas such as the support for access of SMEs to quality and affordable consultancy and information services, enable to SMEs access to competent information and education (training) with respect to competitiveness in both the local and foreign markets, and
- Strategy of sustainable development of the Czech Republic which charges the government with the task to create long-term legal and economic conditions for the prosperity of SMEs.

The Ministry of Industry and Trade, CzechTrade, EGAP and the ČEB will co-operate in the area of the support for exports of small and medium-sized enterprises with commercial representations. The export strategy will therefore support global commerce, in particular establishing of export alliances and networks, with focus on the increase of success of SMEs' penetration of foreign markets. **The services in support of exports of small and medium-sized enterprises will focus on competitive enterprises** having the required potential for success in foreign markets. The services will be carried out through agencies and institutions which are capable of providing the required assistance services to Czech companies (including the promotion of awareness of their services in regions of the Czech Republic via the network of economic chambers).

The export strategy is not focused exclusively on the support for SMEs, however, their requirements and problems are reflected in envisaged projects and services. These are in particular the following projects and services:

- **professional assistance for exporters** (provision of individual services, in particular identification of trade partners),
- **support for exports of services** (for instance the support for liberalization of trade in services, primarily with focus on crossborder co-operation and opportunities),
- **development of export alliances** (merging of companies into alliances and the presentation of these alliances abroad will enable to companies to share the costs of entry into the foreign market and thereby reduce the costs incurred by the companies in international marketing),
- **extension of financial services for Czech exports**

- this measure will enable to small and medium-sized enterprises to obtain the resources from the EU Structural Funds in the period after 2007,
 - as part of commercial insurance of short-term receivables EGAP and its subsidiary KÚP will pay special attention to small and medium-sized enterprises (SMEs) and will create for them separate modifications of insurance products,
 - moreover, starting from 1 January 2006 even the state credit insurance companies (EGAP) will be allowed to provide credit insurance to small and medium-sized enterprises and insure individual business contracts for the exports of machinery with maturity over 6 months, i.e. the insurance that up till now was available on the commercial (arms length's) basis only. This applies to small and medium-sized enterprises, the annual volume of receivables of which, does not exceed EUR 2-5 million (Note: the text will be specified later according to the new wording of „The Communication of the EU to Member States“ – in November or December 2005).,
- **Customer Centre for Exports** means the establishing of a single point of contact for exporters which will be supplemented with the services of the portal BusinessInfo.cz. For small and medium-sized enterprises (SMEs) the added value of the project consists in particular in on-line information on opportunities, conditions and environments in individual territories. The customer centre for the support for exports will facilitate for entrepreneurs their orientation in the offer of services provided by the state, or provide basic information on possibilities of support for small and medium-sized enterprises, or secure the relevant contacts for institutions providing the required services,
 - sharing of knowledge between (commercial) entities, transfer of expertise from successful export transactions and tailor-made education in the area of export know-how (conditions and opportunities in territories, realization of export transactions, etc.) constitute the content of the project **the Export Academy**. Due to the fact that SMEs need not always have available the qualified labour force for the realization of export transactions, education (training) and consultancy within the Export Academy may increase potential success of these companies in foreign markets.

2. Projects of the export strategy

2.1. Facilitation of the trade conditions

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Active influencing of the EU's common trade policy towards the promotion of the Czech Republic's interests
- Development, assessment and updating of the trade policy is performed in close co-operation with the commercial sphere in the form of the Business Panel of the Ministry of Industry and Trade which meets on a quarterly basis.

The Ministry of Industry and Trade will actively participate in the shaping of the EU's common trade policy and influence this policy for the benefit of the Czech Republic's interests. At the same time it will pay continuous attention to the increase of the competitiveness of the EU market through trade liberalization. The project includes also the defence of Czech companies' interests with respect to their access to markets of EU Member States.

Project	Facilitation of trade conditions
Co-ordinator	The Ministry of Industry and Trade
Implemented by	The Ministry of Industry and Trade, the Ministry of Foreign Affairs, the Ministry of Agriculture,
Start date	January 2006
Purpose	Promote the Czech Republic's interests and actively influence the EU's common trade policy and the functioning of the EU's single internal market
Target status	<ul style="list-style-type: none"> ▪ Liberalization of trade in goods and services ▪ Mapping and removal of obstacles and barriers to Czech exports ▪ Simplification of trade procedures ▪ Securing protection against unfair trade practices ▪ Co-ordinated activities of entities abroad and in the local market ▪ Making full use of advantages of the internal market ▪ Lobbying for companies' interests abroad ▪ Quality information service ▪ Provision of integrated solutions
Criteria	<ul style="list-style-type: none"> ▪ Satisfaction of the commercial sphere with the results of the trade policy ▪ Reduction and removal of barriers to trade

After accession to the European Union the Czech Republic assumed with respect to third countries the EU's common trade policy and it actively participates in its shaping,

implementation and modifications (customs tariffs, trade agreements, trade liberalization as well as other modifications influencing trade).

Within the framework of this policy, the Czech Republic will focus on further **liberalization and development of trade rules at WTO (The World Trade Organization)** and on negotiation of bilateral or multilateral preferential trade agreements (concluded as a supplementary measure to the liberalization at the multilateral level).

At WTO, from the viewpoint of improvement of an access to third country markets, the most important current initiative constitute multilateral trade negotiations on the Doha Development Agenda (DDA), the successful completion of which will produce a number of new opportunities for Czech companies. Within these negotiations, the following issues are of key importance for the Czech Republic:

- Liberalization of trade in industrial products and improvement of conditions for exports of services
- Strengthening of contractually binding trade rules with a view to facilitating trade or preventing the occurrence of unfair trade practices and strengthening the protection of intellectual property rights

The Czech Republic will also take advantage of negotiations on accession of new members to WTO (Russia, the Ukraine, Serbia, Montenegro, Saudi Arabia, Vietnam and other) for the creation of new trade opportunities for Czech entities.

The Czech Republic influences the shaping and implementation of the common trade policy by active participation in bodies of the EU Council, of which the most important one is the Special Committee on Common Trade Policy (the 133 Committee). Within these bodies, representatives of the Czech Republic will endeavour to ensure that the solutions and procedures adopted by the EU reflect to the maximum possible extent the interests and needs of Czech companies and consumers. Partial projects and goals pertaining to trade and political goals with respect to third countries and the promotion of commercial and economic interests in the EU will be developed in separate strategic documents of the Ministry of Industry and Trade. Within the framework defined by the EU, the Czech Republic will continue to pursue in its bilateral relations the active economic policy.

The Czech Republic's membership of international organizations such as OECD, IMF, IBRD, EBRD, UNCTAD, EHK, etc. will be used for an active influencing of the rules of the world trade with a view to improving the Czech Republic's position in the world economy.

The project implementation is co-ordinated by the Ministry of Industry and Trade, in collaboration with the Ministry of Foreign Affairs and other ministries and organizations. In the course of project implementation the above parties will co-operate in particular with the Economic Chamber of the Czech Republic, SP ČR or other institutions, associations and organizations. **The Business Panel of the Ministry of Industry and Trade of the Czech Republic** is an efficient mechanism facilitating the shaping of the trade policy and it also serves as a discussion forum. Within the framework of this institution and based on partner

relation with the commercial sphere the current topics will be **regularly updated..** The representatives of entrepreneurs may comment in this forum on any problems and contribute by their suggestions to negotiations on trade policy in international forums.

Embassies abroad and their Commercial and Economic Sections play an important role in the promotion of commercial and economic interests of the Czech Republic. Their activities include the support for national bodies and institutions and for other entities in the development of bilateral contacts, ascertaining of facts important for the preparation of national positions and supporting documents, transfer and exchange of information, lobbying for the promotion of priority interests and the development of economic co-operation.

The basic criterion for the assessment will be **the satisfaction of the commercial sphere** with the execution of the trade policy and the level of progress in the reduction and removal of barriers to trade. The assessment of the project will be performed twice a year.

2.2. Activities in key markets

New features in comparison with the Pro-export Policy Concept for 2003–2006:

- Maintaining the trade position in the case of countries of special importance (EU) and the development of activities in the case of priority countries
- Regularly updated list of priority countries subject to the trade and political situation in the markets
- Increase in the number of pro-export events in priority markets
- Map of trade opportunities in the territories for entrepreneurs

Territorial priorities constitute one of the pillars of the Czech Republic's export strategy. The system is based on flexible approach – on the basis of regular analyses, the territorial priorities are every year updated and supplemented. **The activities of the Ministry of Industry and Trade and co-operating entities will be focused on priority territories.** This means, inter alia the optimization of the network of OEÚ and representations of CzechTrade while this network will be optimized with regard to the priority of a given territory, the interest of entrepreneurs and the requirements for realization of exports of Czech goods, services and investments. The position of individual countries is assessed according to the criteria of the export status and potential of a given country.

Project	Activities in key markets
Co-ordinator	The Ministry of Industry and Trade
Implemented by	The Ministry of Industry and Trade, embassies, CzechTrade, Czech Centres
Start date	April 2006
Purpose	<ul style="list-style-type: none"> ▪ Identify and on an ongoing basis update key markets for exports and investments ▪ Develop strategies and action plans for the promotion of commercial and economic interests in the territory
Target status	<ul style="list-style-type: none"> ▪ Flexible territorial priorities ▪ Co-ordinated and uniform strategies for the promotion of interests ▪ Increase of pro-export events in key markets
Criteria	<ul style="list-style-type: none"> ▪ Extent of fulfilment of goals set out in territorial strategies and action plans ▪ Increase of the number of events and the satisfaction of Czech companies.

Methodology distinguishes between **priority countries and countries of special importance**:

1. The countries having **considerable potential for the increase of trade co-operation are regarded as priority ones.**

2. The territories where there is currently already an intense and wide-ranging commercial and economic co-operation under way, however, **the potential for its extension is not so high** as in the case of priority countries, are regarded as countries of special importance.

The activities of the export strategy in the case of priority countries will be focused on the development of the market and making use of the growth potential, in the case of countries of special importance the emphasis will be put on maintaining of the existing position and maximization of opportunities.

EU countries are deemed to be countries of special importance due to their dominant position in Czech exports. For countries of special importance (EU as a whole) the Strategy for the promotion of commercial and economic interests of the Czech Republic in the EU will be prepared.

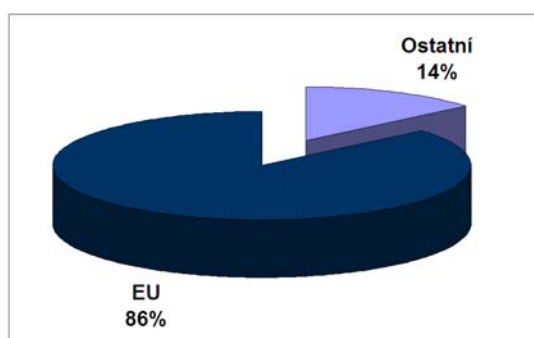


Figure 6- Share of EU in Czech exports of goods

(Překlad textu do vloženého obrázku: EU (86%) Other (14%))

For priority countries **territorial strategies** will be developed which will contain the uniform co-ordinated plan of activities and goals of the territory. For **China and a India** specific strategies have been already drawn up with a view to taking advantage of the opportunities and increasing activities of Czech entrepreneurs in both countries. For other countries action plans summarizing the activities and goals for the territory will be developed.

In the first stage of implementation of this concept the following territories have been selected as **priority countries**:

Argentina, Brazil, Bulgaria, China, Egypt, Chile, Croatia, India, Canada, Mexico, Romania, Russia, Saudi Arabia, the United Arab Emirates, Serbia and Montenegro, Turkey, the Ukraine, the USA, Vietnam.

The selection of territories has been performed on the basis of multi-criteria assessment, while the following criteria have been taken as the key ones: the volume and structure of mutual trade, the rate of growth of mutual trade, risk rating of the country according to OECD methodology, economic and commercial potential of a given territory. At the same time, the results of the survey of entrepreneurs' interest in priority territories were taken into account. The system of territorial priorities will be assessed and updated on an ongoing basis both on the basis of the country's trade and political situation and subject to the needs of Czech entrepreneurs. Territorial strategies will be also based on sectoral opportunities. The

obtaining and processing of this information will be secured by embassies and CzechTrade. The output for entrepreneurs will be the current **map of trade opportunities** which will be available for Czech entrepreneurs from the web portal BusinessInfo.cz.

The basic criterion for the assessment of the project will be the **extent of fulfilment of goals** set out in territorial strategies and action plans. The assessment and updating of strategies and action plans will be performed once a year.

2.3. Building up of brand name of the Czech Republic in the world

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- New concept of trade fairs and exhibitions – categorization of trade fairs according to their importance, diversification of participations according to commercial importance for entrepreneurs, strengthening of supplementary programmes at trade fairs and the extension of the offer of services for exhibitors
- Extension of co-operation with the private sector in the course of organization of trade fair events abroad
- Making use of the foreign development co-operation (FDC) for the building up of the reputation of the Czech Republic abroad and the penetration of the markets of the relevant countries by Czech companies

Building up of a positive image of the Czech Republic abroad is ensured by all units of the state administration. The Ministry of Foreign Affairs has drawn up „the Concept of uniform presentation of the Czech Republic abroad“ (approved by the Government Resolution No. 74 of 19 January 2005) which is based on strategies and priorities of all sectors. The Council for the Development of Commercial Environment operates under the charges of the Ministry of Industry and Trade. The document „Positive image of the Czech Republic abroad for the segment of trade and investments“ approved by the Council summarizes the basic characteristics of the country as outlined below and it is consistent with the characteristics contained in the above mentioned Concept of uniform presentation of the Czech Republic abroad:

The Czech Republic is an advanced Central European country, a member of the European Union, offering the unique combination of rich cultural and industrial tradition, good reputation and human capital based on knowledge and innovative potential with the properly functioning legal system. The Czech Republic is a credible trade partner with considerable trade potential, an appropriate territory for quality investments, having available advanced infrastructure and qualified labour force.

Project	Building up of brand name of the Czech Republic in the world
Co-ordinator	The Ministry of Industry and Trade, the Ministry of Foreign Affairs
Implemented by	The Ministry of Industry and Trade, CzechTrade, embassies
Start date	January 2006
Purpose	<ul style="list-style-type: none"> ▪ Increase the positive awareness of the Czech Republic abroad ▪ Enhance the image of the Czech Republic abroad ▪ Use effectively the funds allocated for the Czech Republic's presentation
Target status	<ul style="list-style-type: none"> ▪ „The Czech Republic as a credible, attractive partner for trade and investment co-operation“

Criteria	<ul style="list-style-type: none">▪ More extensive positive publicity of the Czech Republic in foreign media▪ Contracts in progress and concluded contracts
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The organization of the **presentation of the Czech Republic and the commercial sphere** in international trade fairs and separate exhibitions abroad constitutes one of the segments of the export strategy. Through the synergy of activities of the state and the commercial sphere, timely and quality awareness of the parties involved maximum effect of Czech participation in trade fairs and exhibitions will be achieved. After a particular trade fair / exhibition is finished, the promotional activities of the state, exhibitors and the achieved business results of companies will be carefully assessed.

Joint participation of the state and commercial entities in trade fairs boosts self-confidence of Czech companies and puts them into the position of equal trade partners with respect to foreign businessmen, it also presents business capabilities and implies credibility of companies.

In June 2005 the Government of the Czech Republic adopted the document of the Ministry of Industry and Trade „**New concept for official participations in international trade fairs and exhibitions**“. This concept is based on the existing experience, responds to the current situation in the existing commercial environment and introduces a number of measures to make more effective Czech official participations, increase transparency of all processes with effective control regimes. This new approach will be in particular focused on the strengthening of supplementary programmes at trade fairs for Czech companies, with maximum participation of all parties involved. Starting from 2007, also the combination of national resources with the European ones may be used, within the framework of the Structural Funds, and thereby possibilities of participation in trade fairs and exhibitions for Czech entrepreneurs may be extended.

The results of participation of commercial entities in trade fairs and exhibitions will be assessed and measured, the basic criterion will be **the new contracts in progress and concluded contracts**, in comparison with the invested state funds for these events. The invested funds of some CZK 200 million in 2004 immediately produced deals in progress valued at some CZK 22.4 billion. For the first half of 2005 a total of CZK 130 million were invested into official participations and the value of contracting was CZK 15.7 billion. The value of contracting increased in comparison with the first half of 2004 by 33%.

Despite the fact that the foreign development co-operation (hereinafter the „FDC“) is not a traditional tool of the export policy, even this activity of the Czech Republic may be deemed to be a specific presentation tool whereby the state may help to developing countries and at the same time create prerequisites for its exports.

The chief goal of the FDC is the assistance to developing countries in the areas that are important for the functioning of the state and its economy. The Ministry of Foreign Affairs is in charge of co-ordination of the foreign development co-operation. Until 2008 the government has approved 8 priority countries and the Ministry of Industry and Trade will prepare projects

for the following countries: **Bosnia and Herzegovina, Yemen, Mongolia, Serbia and Montenegro, Vietnam.**

FDC by its activities enables to create certain „bridgehead“, i.e. to start certain introductory trade with the state support. At the same time also the reputation of the Czech Republic is boosted which may enable entry to the market of a particular country to other Czech exporters.

From this viewpoint, it is necessary that **FDC be co-ordinated with the export strategy of the Czech Republic** which means that departments of the Ministry of Industry and Trade and the Ministry of Foreign Affairs must closely co-operate in such a manner that would ensure that by their interaction the possibility of synergic effects in the support for exports might exist.

The basic criterion for the assessment of the project will be contracts in progress and concluded contracts, in comparison with the funds invested in participations of the Czech Republic in trade fairs and exhibitions. A supplementary criterion will be more extensive positive publicity of the Czech Republic in foreign media. The assessment of the project will be performed once a year.

2.4. Efficient assistance for exporters

- Winning team

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Team co-operation and single management of state units abroad
- Emphasis put on professional approach of service providers
- Lobbying for interests of Czech companies
- Consultancy subject to the preparedness of Czech companies for exports and subject to specific features of particular business transactions and export projects
- Information about solvency of foreign partners using the EGAP database

Professional services of state employees abroad may contribute uniquely to the increase of Czech exports. The knowledge of the territory, contacts, ability to communicate and present opportunities will reduce the costs of entry of Czech companies into foreign markets. It will also increase possibilities of successful entry into foreign markets and direct activities of Czech companies abroad.

Project	Efficient assistance for companies abroad
Co-ordinator	The Ministry of Industry and Trade, the Ministry of Foreign Affairs
Implemented by	Embassies, CzechTrade, EGAP, the ČEB, Czech Centres

Start date	On an ongoing basis
Purpose	Provide professional, effective and useful assistance to companies
Target status	<ul style="list-style-type: none"> ▪ Co-ordinated activities of entities both abroad and in the local market ▪ Lobbying for companies' interests abroad ▪ Quality information service on events in the territory ▪ Provision of integrated solutions ▪ Transfer of trends and innovations from foreign markets
Criteria	<ul style="list-style-type: none"> ▪ Increase of successful business transactions ▪ Increase of the number of companies with exports over CZK 10 million ▪ Increase of opportunities abroad ▪ Satisfaction of clients with the services provided ▪ Increase of time devoted to companies ▪ Higher awareness of the territory

The team for the support of commercial and economic interests of the Czech Republic abroad is comprised of heads of embassies, employees of Commercial and Economic Sections of embassies, representatives of CzechTrade and CzechInvest agencies and partly also of Czech Centres. **The Ministry of Industry and Trade will respect the integrity of embassies**, the role of head of the embassy as the key manager in charge of activities of the embassy. **Strategic plans with respect to key markets and the annual agreement on activities of embassies in the commercial and economic area concluded between the head of the embassy and the relevant Deputy Ministers of the Ministry of Industry and Trade and the Ministry of Foreign Affairs** will be an expression of fulfilment of common interests.

The implementation of the export strategy abroad is based on **team co-operation and single (integrated) management**. The Ministry of Industry and Trade will ensure the management and the provision of „backoffice“ services for employees abroad.

This requires to meet the following essential prerequisites:

- **Professional team of competent experts** who will promote interests of the Czech Republic in EU bodies and in countries in which we have economic interests. A necessary prerequisite for the work abroad will be, apart from the current requirements, also the managerial and presentation skills of people applying for work in the Civil Service abroad.
- **Activities of embassies** will be focused **on the lobbying for interests** of Czech companies abroad **and assistance services** according to the following general areas (see Principles of co-operation of embassies of the Czech Republic with Czech commercial entities in the commercial and economic area – CODEX):

- **Information** – Provision of information to entities (basic contacts for potential trade partners, recommendations of services of lawyer's offices, chambers of commerce, information about orders/contracts, projects and competitions in the territory, active searching for opportunities for Czech companies).
- **Assistance** – Support in the process of establishing contacts, lobbying, assistance in problem solution, support for participation in competitions, projects and tenders, assistance in the searching for trade partners or trade contacts.
- **Presentations** – Sectoral and individual, support for companies' participation in trade fairs and exhibitions, support for the preparation of trade missions.
- The embassies will make use of the knowledge of promising lines of business for Czech exports for the active pro-export policy. **This includes organization of presentations of individual lines of business for the commercial sphere abroad, identification of investment opportunities for Czech companies and the mediation of services.**

CzechTrade will focus on the fulfilment of strategic goals in two areas, i.e. **the development of education (training) and consultancy for exporters** in the Czech Republic and **individual assistance to companies abroad**. Key goals of CzechTrade will be geared towards the increase of clients' exports, increase of success of orders/contracts and securing full utilization of capacities of foreign offices by services for specific customers. The priority activity of CzechTrade is the focus on result, i.e. searching for trade contacts, negotiation of meetings and the provision of the supporting documents for companies' negotiations, as well as the initiation of associations of companies and establishing of alliances for their common activities in foreign markets. **The Agency must aim at shifting the focus of its services from the support for exports to international activities of companies including their establishing abroad** (internacionalization of commerce).

Employees of CzechTrade prepare events with Czech companies, business meetings, specification of demand, organization of incoming missions. The role of embassies consists in particular in the support for these activities at higher diplomatic level which may in a number of countries produce higher probability of success. This co-operation is supported by the single information system SINPRO.

The entrance gate for the initial consultation on services provided by the state abroad is the **CzechTrade Agency**. Also **consultations with employees in charge of clients of EGAP and the ČEB** will provide to companies the overview of all opportunities offered by the state. Consultations will focus on regions in such a manner that the companies be as close as possible to them. Consultations will include the offer of consultancy services **focused on co-operation in the fulfilment of the company's export strategy**, including the proposal for appropriate alliances and the offer of services.

The Czech Export Bank will support exporters by way of direct participation in business negotiations already in the preparatory phase of implementation of export projects. Foreign trade partners are responsive to an expression of interest of the state bank for a particular

project declared in this manner and such an expression may contribute significantly to the success of the transaction. Obviously, the extent of this support is limited by capacity possibilities of the ČEB, but it concerns the negotiation of large export projects, not only in priority countries and countries of special importance. The ČEB will provide, inter alia,

- financial consultancy services and the support for exporters for the financing of specific export projects and plans in such a manner to eliminate possible problems arising from the lack of experience of exporters with specific territorial features,
- comprehensive offer of products for the solution of export financing needs of exporters including the structured financing of complicated export projects, for instance exports of the complete plant equipment where the ČEB will take advantage of its long-standing relations with the international financial community.
- support for trade negotiations by way of the ČEB's participation in those international trade fairs and exhibitions with the official state support, in the case of which success of Czech exhibitors in negotiations with potential customers may be anticipated.

The decisive role for the success of trade relations of Czech exporters with their foreign partners plays the reliable identification of partners and information on their financial position, solvency and payments discipline. **The Export Guarantee and Insurance Corporation, j.s.c.** (Exportní garanční a pojišťovací společnost, EGAP) and its subsidiary **Commercial Credit Insurance Company EGAP, j.s.c.** (Komerční úvěrová pojišťovna EGAP, j.s.c. KÚP) will provide to companies as part of its credit insurance services an access to extensive databases of information on debtors which contain data on tens of millions of entities from all countries of the world.

Based on the use of these databases **EGAP** and **KÚP** will actively offer the possibility to check the acceptability of a foreign partner as the purchaser/debtor from the viewpoint of his solvency and on the basis of the analysis of the risk involved they will offer the insurance of a loan that may be possibly provided in support of the business relation.

Other assistance in the area of financial services is the subject of the project – Extension of financial services for Czech exports.

The basic criteria for the assessment of projects will be as follows: **increase of successful transactions**, increase of the number of companies with exports over CZK 10 million annually, **satisfaction of clients with the services provided**, **increase of the time devoted to companies** and increase of awareness of the territory. The assessment will be performed in the form of an ongoing reporting on activities realized by the entities abroad.

2.5. Increase of exports of services

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Completely new service in the export strategy
- Emphasis put on liberalization of trade in services
- Opportunities in the development of exports of tradeable services (IT, engineering and design, telecommunications, logistics, transport, consultancy)
- Opportunities in the development of tourism into the Czech Republic – integration of the offer of CzechTrade and CzechTourism and co-ordination of their activities

Services became in the last twenty to thirty years an important element of the development of trade. Due to the fact that the sector of services has been previously functioning rather at the national level, the recent developments are labelled as the internacionalization of services which become an important commodity of the international trade. In comparison with the dynamics of the world trade in tangible commodities services record higher year-on-year increases and **their share in the world's trade turnover is constantly on the rise**. This may be explained by the growing importance of services associated with the degree of the development of the economy and liberalization of the international trade in services which has lagged behind the liberalization of trade in goods and a major breakthrough occurred only in the course of the 80's of the 20th century.

Project	Increase of exports of services
Co-ordinator	The Ministry of Industry and Trade
Implemented by	The Ministry of Industry and Trade, the Ministry for Regional Development, CzechTrade, CzechTourism, embassies
Start date	January 2006
Purpose	Liberalization of services in EU countries Increase the share of exports of services and improve their structure
Target status	<ul style="list-style-type: none"> ▪ More prepared and informed clients ▪ Tailor-made education and consultancy ▪ Creation of the offer of competitive services intended for foreign markets ▪ Goal-directed presentation of the Czech Republic's capacities in the area of services for interested parties abroad
Criteria	<ul style="list-style-type: none"> ▪ Per capita exports of services ▪ Reduction of barriers to trade in the services market within the EU

The liberalized market of services is of key importance for the performance, productivity and competitiveness of economies. The share of services in the creation of GDP and employment is often associated with the rating of the development of the economy. The

more advanced the economy is, the higher is usually the share of services in the creation of GDP and in the overall employment.

The share of services in the overall GDP in the Czech Republic ranged in 2003 and 2004 between 55.2 % and 59.5 %. In 2004 the EU (EU-15) accounted for 71.4% share. In the EU (EU – 25) the share of services in the overall employment in 2003 accounted for 69, 4% and in 2004 then 69.7%. In the Czech Republic, the share of people employed in the service sector in the overall employment accounted for 57.8% in 2003 and for 58.3% in 2004.

The share of **exports of services in the overall exports of the Czech Republic** was **12.8 %** in 2003 which is significantly less than in EU countries (**20.6 % share in the EU – 25**). Even higher gap is obvious if we compare these figures with the value of exports of the USA (the share of exports of services in the overall exports in the **USA** in 2004 – **48.0 %**).

The export strategy envisages the implementation of the project that will support the conditions, creation and services associated with the increase of exports of services in two areas:

1) Support for liberalization of services in the EU

The liberalization of the market of services should be carried out on the basis of the Services Directive. The benefits of the proposed EU Directive (according to the conclusions of the Dutch study of CPB) are obvious in particular in the increase of the internal Community trade and direct foreign investments in commercial services (increase by 15-30 %) which represents in terms of increase of the overall trade within the EU (i.e. including the trade in goods) an increase by 1-3 %. In the case of direct foreign investments into commercial services the proposal may result in the increase by 20 % to 35 %. The Czech Republic will support the adoption and implementation of the above Directive and will consistently promote the removal of barriers to the provision of services in EU countries.

2) Presentation of competitive services in foreign markets

The project will focus on active identification of demand and opportunities abroad and their linking with capacities of the Czech Republic. The key areas of an active presentation abroad will include the offer of services of the Czech Republic in the field of spa industry, tourism, transport, logistics, project services, design, IT, telecommunications, consultancy.

CzechTrade will prepare offers of these lines of business for foreign customers. The presentation of opportunities will be also focused on potential foreign investors into these sectors. Embassies, in particular, consular sections will co-operate with the CzechTourism Agency in support of incoming tourism.

The basic criterion for the assessment of the project will be the value in absolute terms and **the per capita dynamics of exports of services**. The assessment of the project will be performed once a year.

2.6. Increase of direct investments and acquisitions abroad

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Completely new service in the export strategy
- Identification of investment opportunities for Czech companies abroad
- Efficient consultancy and assistance in the diversification of production and the provision of services abroad and in the investment activities of Czech companies
- Available financial resources for quality investment projects

With the increased cost of labour and other costs the foreign price competitiveness of Czech goods will be dropping since Czech goods are cost intensive precisely with respect to these inputs. The current increase of exports thus may be slowed down. Direct investments abroad are the way which will enable to increase the competitiveness of Czech exports, to make profitable investments of funds intended for the increase of production and obtaining a share in markets which are less accessible for the exports of goods as such. Investment activities of Czech entrepreneurs are gaining momentum, which has been proved also by interest in loans for the financing of investments of Czech legal entities abroad provided by the ČEB (these products of the ČEB belong to products with the highest increase of the volume).

Project	Increase of direct investments and acquisitions abroad
Co-ordinator	The Ministry of Industry and Trade
Implemented by	CzechTrade, EGAP, the ČEB, embassies
Start date	30 June 2006
Purpose	<ul style="list-style-type: none"> ▪ Increase investments of Czech companies abroad
Target status	<ul style="list-style-type: none"> ▪ More quality investments of Czech companies abroad ▪ Efficient consultancy and assistance during diversification of production abroad and investments of Czech companies ▪ Quality information on investment and acquisition opportunities ▪ Available financial resources for quality investment projects
Criteria	<ul style="list-style-type: none"> ▪ Per capita exports of investments ▪ Number of successful business transactions involving export abroad

The current offer of services provided by the state in the area of exports and investments lacks the coherent system of support for exports of investments. **There is no system in place for the identification of investment opportunities abroad for Czech investors.**

Within this project, the institutions providing financial services (EGAP, the ČEB) will combine their capacities with CzechTrade and prepare a single (integrated) offer of services for Czech investors. The project will include the building up **of the new system of support for investments and acquisitions** which will be focused on four key groups of Czech clients:

- financial investors – the key motivation of these investors is in particular yield on the invested capital
- production investors – they intend to diversify the production and support their own price competitiveness. This type of investors seeks investments in its own line of business
- consortia for projects – in the case of large projects, for clients of this type it may be profitable to invest into joint ventures or into PPP (Public and Private Partnership) Projects
- companies entering the market – companies for which it is more profitable to enter the market in the form of an investment into the sales or servicing network.

The prepared investment opportunities will be offered to potential investors, including the offer of assistance and financial services. It is anticipated that certain experience of the CzechInvest Agency will be used for the development of the system.

The system of support for direct investments and acquisitions abroad will be based on :

- **presentation and lobbying for Czech companies' interests – key role of embassies**
- **mediation of specific information** and opportunities for local investors abroad, in particular on territorial, local and sectoral opportunities – the so-called supplier service for local companies – key role of CzechTrade
- **consultancy and assistance**, in particular in the process of establishing contacts with potential partners abroad, in the preparation of investment plans, organization of negotiations with the local and regional administration or the identification of and contact with companies for the purposes of industrial co-operation, transfer of production – services of embassies in collaboration with CzechTrade
- **offer of insurance of investments** abroad against political (EGAP) and economic risks through the investment insurance of EGAP and commercial entities and the use of this insurance for the increase of the availability of financing of investments from the ČEB and from commercial sources - key link to EGAP products
- **availability of funds** for quality investment projects and acquisitions abroad (the ČEB, commercial banks)
- **creation of a single offer and a single point of entry** into the system of services associated with the support for Czech investments abroad.

EGAP offers to investors abroad the insurance of their investments against basic political risks (expropriation without reimbursement or nationalization, prevention of transfer of yield on investment or proceeds from the sale of the investment, damage to the investment by politically motivated act of violence) and also against decisive commercial risks (in particular the breach of contractual obligations and initial economic conditions of the investment on the part of administrative authorities of the host state). The insurance of the investment abroad

may serve as a collateral for the obtaining of a loan for the financing of the investment for the Czech investor, both from the ČEB and from commercial entities.

In the next period EGAP will **further extend** its offer of support for Czech investors abroad **by the coverage of subsequent economic risks associated with investments abroad**. By means of its products for the insurance of loans for pre-export financing of the production intended for exports and for the insurance of guarantees EGAP will also help to **foreign investments into the Czech economy having the export potential**.

The ČEB provides long-term financing of investments abroad for Czech legal entities or foreign legal entities in which Czech legal entities hold an interest (for instance joint ventures with foreign partners). The purpose of financing provided by the ČEB is **to support activities of Czech commercial entities geared towards establishing and development of business activities of the new or the already existing company abroad**. In particular, in the case of joint ventures, Czech know-how combined with production possibilities of foreign partners of Czech commercial entities will enable to realize the production and exports from countries in which the registered office of the joint venture is located to third country markets. The specific services are described in Project 2.11 Extension of financial services for Czech exports.

CzechTrade will search for investment opportunities abroad, in the local market it will focus on the identification of potential investors. It will share know-how for these processes with the ČEB and EGAP which will ensure in the case of potential co-operation assistance and realization services. The co-operation will be ensured by the integration of the goal of support for investments into institutions affected by the strategy.

<p>The basic criterion will be the increase of the per capita exports of investments and the dynamics of its increase. Additional criterion will be the number of successful transactions involving exports of investments. The assessment of the project will be performed once a year.</p>
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2.7. Development of export alliances

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Emphasis put on alliances competitive in the foreign market
- Preparation of programmes of development of competitiveness within the Structural Funds 2007-2013
- Synergy of the services provided by the state (CT, EGAP, the ČEB) in order to increase the success of alliances abroad

The combination of companies for joint activities in foreign markets enables to distribute the costs of foreign marketing, presentation and representation in the market, share technologies, distribution channels, external suppliers, specialized services, required contacts and in particular increase the probability of successful entry and positive results in the foreign market.

Project	Development of export alliances
Co-ordinator	CzechTrade
Implemented by	CzechTrade, EGAP, the ČEB
Start date	January 2006
Purpose	Czech companies have better chances to succeed abroad as an alliance
Target status	<ul style="list-style-type: none"> ▪ More competitive alliances ▪ Specific programmes and services provided by the state for alliances
Criteria	<ul style="list-style-type: none"> ▪ Number of export alliances ▪ Number of successful export transactions

Strong alliances of companies constitute an appropriate tool for the promotion of the building up of a positive image of the Czech Republic abroad in the area of trade and investments.

As part of the pro-export policy of the Czech Republic the following steps will be taken:

- **initiate establishing of competitive alliances**, provide consultancy and common strategy associated with the preparation of export plans and specific steps in a given market. In this respect the CzechTrade Agency will play the key role together with the Ministry of Industry and Trade and the embassy of the Czech state in a given territory;
- **gear the measures within the Structural Funds** towards the marketing, innovative and educational support for alliance companies which have potentially higher probability of success and may produce higher effect for Czech exports in general;

- create a single offer of **services for alliances in the course of their presentation abroad.**
- **combine consistently the services of EGAP, the ČEB and CT.**

EGAP will offer to alliances of local companies **the insurance against the risk of default** of both the final exporter – the holder of the export contract and his subcontractor. Apart from this, EGAP may provide the insurance of the loan for pre-export financing of the production intended for exports.

Similarly, the **ČEB** will in collaboration with EGAP and CzechTrade provide **banking products and services enabling to meet the needs of export financing of alliances** in the course of realization of their exports.

The basic criterion for the assessment of the project will be **the increase** of the number of **functional alliances** and **the number of successful export transactions**. The assessment of the project will be performed once a year.

2.8. New system of services provided by the state for exports

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Completely new service in the area of the export strategy
- Single offer of state services for exporters
- Quality servicing of clients, marketing in territories
- The increase of the time available for customers
- Co-ordination of activities of individual entities and their single (integrated) management – backoffice for employees abroad, the Czech Council for the Support of Trade and Investments), measurable goals, certified system of management under ISO 9001
- Extension of capacities of commercial and economic services of the state abroad

The export policy and services provided by the state must reflect the requirements of the commercial public. Clients of export policy include in particular local commercial entities and their associations. In order to ensure effectivity and efficiency of this policy and services, it is necessary to treat the shaping of the policy and the provision of services as part of an integrated system, as individual processes having their inputs and outputs and requirements for effectiveness and quality. Consequently, it is necessary to build up **the managerial system for the management** of these services.

Project	New system of services provided by the state for exports
Co-ordinator	MIT, MFA
Implemented by	MIT, MFA, embassies, CzechTrade, CzechInvest, Czech Centres
Start date	January 2005
Purpose	<ul style="list-style-type: none"> ▪ Increase customer-oriented approach of entities ▪ Provide better servicing to entrepreneurs ▪ Improve mutual co-ordination and awareness of executive entities
Target status	<ul style="list-style-type: none"> ▪ Enhance the quality of the services provided by the state ▪ Common offer of services provided by the state ▪ „Tailor-made“ client services ▪ Higher availability of services abroad ▪ Certified management system under ISO
Criteria	<ul style="list-style-type: none"> ▪ Satisfaction of the commercial sphere

The services provided by the state abroad will be professional services with sufficient capacity for Czech companies (at least 40-50 % of the total available time of the posted

employees abroad). Better co-ordination and more clearly defined division of activities will contribute to enhanced performance and more efficient use of financial and human resources.

The chief benefit of the project will be the improvement of the offer of services, their comprehensive structure, individual approach. The quality of the services rendered will be enhanced and it will be possible to define the impact on the capability of the commercial sphere to export and invest.

From implementation of the **System of management of services provided by the state abroad** we expect benefits for the public sector. In contrast with previous pro-export activities, the new system will put in place regular monitoring and assessment of efficiency and effectiveness of the services provided. In addition to higher credibility of the state gained with respect to the commercial sphere, the parties involved will thereby obtain clear assessment of contribution of individual employees and also increased employee motivation. Based on the result of the trial operation of the pilot project it will be possible to commence the development of the quality system; **subsequent goal will be then the certification of the system of management under ISO 9001:2000 which will ensure the accomplished level of standard of quality of services even in case of employee rotation.** The comprehensive system is to be certified by the end of 2006.

The chief benefit of the project will be in particular:

- **improvement of the awareness of clients** – there will be an attractive integration of communication (information campaigns, publicity in the media, communication of successful business transactions, etc.) and the offer of services from all parties involved (currently, each institution participating in the execution of the pro-export policy has its own offer of services and performs its separate „marketing“). The integration of marketing activities will increase the effectivity of funds invested into such publicity and will also contribute to increased efficiency of these tools. The integration of the offer of services will enable to prepare „tailor-made“ services and integrate packages of services and thereby reduce costs of companies incurred in penetrating foreign markets.

- **single co-ordination and management of entities' activities** and quality servicing of clients – the government is aware of the necessity to co-ordinate activities between individual government departments and executive institutions of the pro-export policy. For this purpose, the **Czech Council for Support of Trade and Investments** will be established. The Council will be charged with the task to implement common projects and co-ordinate activities of entities at the level of the pro-export policy. In order to ensure the quality servicing of clients the **Customer Centre for Support of Exports** will be established. The project envisages the development of the structure of „account managers“ for large companies. Territorial specialists of the Ministry of Industry and Trade and the Ministry of Finance will play the role of the so-called backoffice for embassies and will perform marketing for their respective territories, communicate with the commercial public and participate in the preparation and assessment of plans of commercial and economic activities abroad.

- **increase of the capacity** of services provided by the state – based on territorial priorities, the commercial and economic diplomacy will be strengthened in priority countries and countries of special importance and the number of representation offices of the CzechTrade agency will be increased. This increase should be partly covered also by the reallocation of resources from less important countries to the countries having enormous export potential for the Czech Republic,

- **ensuring co-operation** with officials of Czech commercial representations, representatives of cities and regions abroad in order to co-ordinate activities of all entities in the territory.

In order to ensure co-ordination and integration of processes and organization between entities providing commercial and economic services, the planning of activities has been consolidated on the basis of the „**Agreement on tasks in the area of support for trade (exports), investments and trade policy**“, including the structured and integrated activity plans for individual territories. Territorial departments of MIT and MFA, the management of embassies, CzechTrade, CzechInvest and Czech Centres work together on the drawing up of the „Agreements“.

At the strategic level, the government uses the **Balanced ScoreCard** as a tool for the management of services provided by the state. This tool ensures the ongoing monitoring and control of implementation of economic services both at the MIT head office and abroad.

The SINPRO information system will be used for sharing information between the entities. Information made available by this system will enable to monitor online the implementation of services, to evaluate them and resolve any potential problems.

A necessary prerequisite for the enhancement of the quality of services provided by the state is the raising of sufficient funds for their financing. One of the options available is to charge fees for services with higher added value. Investments aimed at securing the awareness and quality servicing of clients are of the same importance. In this case funds will be obtained to the maximum possible extent from EU resources.

<p>The key criterion for the assessment of the project will be the satisfaction of the commercial sphere with the services provided by the state. Customer satisfaction will be monitored on an ongoing basis, the overall assessment will be performed twice a year.</p>
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2.9. Customer Centre for Exports

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Completely new service in export strategy
- Single contact point for exporters
- Feedback from entrepreneurs for the services provided
- Better orientation in services provided by the state
- Saving of costs incurred by companies in obtaining services provided by the state

Any information relating to the common offer of services provided by the state abroad, information for specific recipients, organized events and relevant contacts will be published on the portal BusinessInfo.cz. Moreover, this portal will contain the overview of all services (embassies, CzechTrade, Czechinvest, CzechTourism, Czech Centres) with direct link to web sites of institutions performing these services. This is a single contact point for exporters if they need information on services provided by the state in the area of support for exports. Information from the Customer Centre will be used as a feedback for the demand for services and customer satisfaction with their provision.

Project	Customer Centre for Exports
Co-ordinator	The Ministry of Industry and Trade
Implemented by	The Ministry of Industry and Trade
Start date	May 2006
Purpose	<ul style="list-style-type: none"> ▪ Comprehensive information in a single point ▪ Effective communication on the offer of services
Target status	<ul style="list-style-type: none"> ▪ More specific and quality opportunities ▪ Comfortable servicing of clients ▪ Enhancement of the quality of the services provided by the state
Criteria	<ul style="list-style-type: none"> ▪ Satisfaction of clients ▪ Answered questions

In order to ensure the awareness and the mediation of services, the customer centre of the Ministry of Industry and Trade will be established. Thus an adequate communication channel will be put in place whereby a particular entrepreneur may resolve the problem directly with an operator, at the time which he determines with the possibility of searching for and sending of additional information. The project will guarantee the services provided by the state in the following areas:

- searching for information and required data

- orientation in programmes for entrepreneurs and exporters,
- orientation in services provided by the state intended for expansion abroad, including the relevant contacts,
- mediation of contacts for the relevant state institution where the problem needs to be resolved, how to obtain the services provided,
- interrelatedness of web sites of institutions and navigation in the structure of these institutions,
- monitoring of the scope of questions, analysis of requirements,
- solving of export problems, complaints and monitoring of barriers to trade abroad.

Additional communication channels (e-mail, fax) will be added to the telephone contact. The output from the Customer Centre will also include feedback from users on the provided information, content or functions. The Customer Centre cannot substitute for direct consulting with companies, however, it is an appropriate aid and tool for basic orientation in the offer of services provided by the state.

More extensive marketing support for services provided by the state will result in better awareness of the public of such services and on the other hand the state will obtain further valuable information and impulses from entrepreneurs for its work. In particular tools, such as, the Internet, printed materials, workshops, conferences, pooling of resources and reminding the media of the possibility to draw information from the portal will be used.

The basic criterion for the assessment of the project will be the **customer satisfaction** with the Centre's services **and the number of the questions answered**. These criteria will be monitored on an ongoing basis, the assessment at the project level will be performed twice a year.

2.10. Network for exports

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Availability of services in regions - regional export point
- Active marketing of opportunities identified in foreign markets

A necessary prerequisite for success in foreign markets is obtaining of quality business information from official and private sources. For a successful expansion, the following information is decisive: foreign demand relevant in terms of territory, line of business and quality, foreign supply and tenders, projects, commissioned orders, contacts for possible representatives in the market, news from territories.

Project	Network for Exports
Co-ordinator	The Ministry of Industry and Trade
Implemented by	CzechTrade, embassies, EGAP, the ČEB,
Start date	March 2006
Purpose	<ul style="list-style-type: none"> ▪ Increase the awareness also about events in the territory and opportunities ▪ Simplify obtaining of information for entrepreneurs ▪ Improve marketing of individual territories
Target status	<ul style="list-style-type: none"> ▪ Daily updated information on the territory ▪ Clearly arranged, structured and easily obtainable information
Criteria	<ul style="list-style-type: none"> ▪ Number of visitors to BusinessInfo

The basic goal of the project is to enhance the awareness about events in the territory and its business opportunities, improve marketing of these territories and simplify the process of obtaining information for entrepreneurs.

The primary source of the above opportunities is the verified information obtained by state representatives abroad (embassies of the Czech Republic, CzechTrade, Czech Centres, Czechinvest, CzechTourism). Export opportunities updated daily and information about the territory are available to the general commercial public from the portal BusinessInfo.cz. CzechTrade will ensure that the information on business opportunities is made available to specific local companies, including the preparation and organization of a possible trade mission of potential foreign customer or partner. Territorial sections of the Ministry of Industry and Trade will deal with marketing and promotion of territories targetted on the commercial sphere.

Other follow-up activities are **workshops and events** that will deliver to users exclusive information directly from public administration officials in charge of its preparation and on the other hand through meetings with entrepreneurs the public administration will obtain valuable feedback in the form of observations and comments. The organized workshops will be focused on current topics, on prepared legislative changes, on changes and new features of grant programmes, etc. In connection with the principle of a single contact point, through the network of **regional representatives** of the CzechTrade agency and co-operation with the commercial representation, the awareness of services and opportunities will be ensured, together with availability of such services and opportunities in individual regions of the Czech Republic.

The criterion of success will be the growing **number of visitors to the portal BusinessInfo.cz**. These criteria will be monitored on an ongoing basis, the assessment at the project level will be performed twice a year.

2.11. Extension of financial services for Czech exports

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Sharing of risks and financing resources with foreign partners (multisourcing)
- Use of EU development co-operation for the support for exports
- New EGAP services – loans for risks of regional banks, project financing, insurance of sales of assets of subsidiaries, financing of investments in the extension of production, insurance of guarantees
- News services of the ČEB (The Czech Export Bank Plc.) – arranging and co-financing, financing of investments in enterprises abroad, financing of long-term production programmes
- Extension of co-operation with commercial banks

The chief goal of this project is to **extend the availability of financing of exports of Czech goods**, services and investments.

Project	Extension of financing of Czech exports
Co-ordinator	The Ministry of Industry and Trade, the Ministry of Finance of the Czech Republic
Implemented by	The Ministry of Industry and Trade, EGAP, ČEB, CzechTrade, PSEF ČBA
Start date	year 2006, point 3 year 2007
Purpose	<ul style="list-style-type: none"> ▪ Availability of variable forms of financing and insurance
Target status	<ul style="list-style-type: none"> ▪ Use of the Structural Funds – correct programmes ▪ Use of EU development co-operation for the support for exports ▪ Flexible support for export activities of commercial entities in target countries ▪ Sharing of risks and financing resources with foreign partners (multisourcing)
Criteria	<ul style="list-style-type: none"> ▪ Volume of exports supported by financing and insurance with state support ▪ Value of newly insured loans ▪ Volume of the provided financing with the state support ▪ Use of programmes of the Structural Funds ▪ Volume and fulfilment of goals of the EU development co-operation

1. EGAP services

The Export Guarantee and Insurance Corporation, j.s.c. (EGAP) and the Commercial Credit Insurance Company EGAP, j.s.c. (KÚP) provide to exporters and financing banks insurance of export loans against risk of their default due to the realization of commercial risks on the

part of the purchaser or macroeconomic and political risks on the part of the country in which the importer has his registered office or through which the goods and payments are delivered. Individual insurance products of EGAP and KÚP are linked to various forms of credit relations and financing tools used in foreign trade. Apart from the protection of a creditor (an exporter or a financing bank) against the risk of default, the insurance provided by EGAP and KÚP may be used as a tool for securing of the loan provided by the bank financing exports (it may be used both in the case of the ČEB and commercial banks).

Apart from the insurance of ordinary customer and supplier export loans provided at the risk of a purchaser or a foreign bank or the state, EGAP, on the basis of **an analysis of a particular situation, will also insure loans for risks of regional banks. Much more extensively, for the securing of repayments of the insured loans, project financing arrangement will be used whereby the repayment of a loan is based on proceeds from the sale of products of the exported equipment.**

As a tool in support of proper functioning of investments of Czech enterprises abroad intended for the distribution of sales in local markets, EGAP will offer credit insurance of sales of assets of these subsidiaries in a given territory.

EGAP will also offer **the insurance of loans for the financing of production intended for exports, which is, as a new feature, extended by the insurance of loans for the financing of investments in the equipment for the extension of production**, which may be repaid from revenues from production of this equipment over a period of several years. In particular for exporters of machinery, equipment and complete plant equipment, EGAP will also offer **the insurance of guarantees relating to an export contract or its preparation, namely against the risk of misuse of the guarantee by the purchaser and also against the risk of non-compliance with the export contract for reasons on the part of the Czech exporter.** The insurance of guarantees will considerably improve their availability for exporters since it is accepted by banks as a collateral for such guarantees instead of collateral by other assets.

For exporters who will seek new opportunities in foreign markets through marketing activities, EGAP will offer, in collaboration with the CzechTrade Agency and the ČEB or commercial banks, **the insurance of loans for the financing of costs of market prospecting against the risk of failure of market research for marketing purposes.**

As part of commercial insurance of short-term receivables, EGAP and its subsidiary KÚP pay special attention to small and medium-sized enterprises (SMEs) which account for more than 70% of the total number of clients of EGAP and KÚP. The insurance company will develop for them separate modifications of insurance products tailored to specific features of these enterprises and aimed at facilitation of the demanding administration.

2. Services of the ČEB

The Czech Export Bank (Česká exportní banka, ČEB) secures the export financing by medium-term and long-term financing products with maturity over 2 years, short-term

financing products with maturity up to 2 years and the provision of export-related financial services.

The ČEB will continue to pursue goal-directed analysis of specific features of selected territories (priority countries and countries of special importance) with a view to providing professional support for export activities of Czech companies. As part of this activity, new forms of co-operation with a number of foreign banks and international partner institutions will continue to be developed. Such co-operation will enable the creation of appropriate financial models (arranging, co-financing, refinancing) that may be used for projects with dominant or partial involvement of suppliers from the Czech Republic and also for other areas and forms of co-operation of Czech entrepreneurs and their foreign partners. This will include especially **the following new forms of co-operation:**

- 1) **financing of investments in setting up of joint ventures abroad and building of production capacities** for goods delivered from these companies to third country markets
- 2) creation of conditions for **the financing of joint technical development projects** with the involvement of Czech and foreign commercial entities
- 3) financing of **long-term** export-oriented **production programmes**

The activity of ČEB will be primarily based on the assessment of the exporters' needs that will be decisive for the creation of the offer of banking products and financial services.

3. Extension of co-operation with commercial banks

The efficiency of the state support for exports in the area of financing with preferential rates may be increased also through the use of state support tools by commercial banks for the benefit of exporters' business plans.

The key benefit of commercial banks is in particular their strong financing base, concentration of professional potential and the extensive banking trade network securing the availability of preferential financing tools, in particular the export insurance with state support and export financing with preferential interest rates to a wide range of exporters.

The Ministry of Industry and Trade, the Ministry of Finance of the Czech Republic, EGAP, the ČEB and CzechTrade will co-operate on an ongoing basis with the Working Group for Export Financing attached to the Czech Trade Association (PSEF ČBA) in the area of financing with the aim to accomplish high efficiency, comfort for exporters and effectiveness in terms of the use of the state resources.

4. Use of the Structural Funds and support for competitiveness

The resources of EU Structural Funds constitute additional important source of possible extension of financing of exporters. These funds will enable both higher level of support for exporting companies and the development of the pro-export environment, based on the

principle of synergy of goal-directed impact of allocation of national resources together with three times higher European funds.

In the new programming period 2007 – 2013 the Czech Republic will focus primarily on making the maximum use of all opportunities of the European structural and cohesion policy with a view to strengthening the competitiveness of Czech companies.

While respecting all EU rules (The EC Treaty, Article 87) restricting the support for exports from both the EU and national resources, we must be able to use this support effectively. The Ministry of Industry and Trade will focus on higher, more effective and co-ordinated support for marketing presentation of Czech companies and the state abroad, and furthermore on the creation of human resource development programmes at enterprises and support for the development of the pro-export infrastructure and environment. Consequently, the following types of activities are being prepared for the next period:

- 1) **Increase of effectiveness of presentation of Czech enterprises abroad** which will be implemented through the grant scheme in support of marketing activities of Czech SMEs abroad (programme Marketing), indirect support for participation of enterprises in important trade fairs and exhibitions and commercial missions (programme Specialized Trade Fairs and Commercial Missions Abroad), marketing presentation of the system of services provided by the state abroad (Project of development of information and consultancy services for international trade)
- 2) **Human resource development in the area of foreign trade** which will be implemented through the grant scheme in support of services of a trade consultant for SMEs (programme the Consultant for International Trade) intended for the creation of the basis for obtaining information on foreign markets in „third countries“ (programme Representation), for indirect support of educational activities in the regions of the Czech Republic (Project of development of information and consultancy services for international trade)
- 3) **Development of infrastructure for information, consultancy and consultancy services for international trade** which will be implemented through particular projects arising from this concept.

The roles of individual organizations have been assigned as follows:

EGAP will focus in the preparation of programmes for the use of the EU Structural Funds for 2007-2013 on the support for Czech enterprises within the process of obtaining own or commercial resources from commercial banks. This activity will take the form of insurance of credits (loans) against the risk of default due to the failure of the loan beneficiary to implement successfully a given programme and generate sufficient resources to repay the loan.

As part of the priority of the Ministry of Industry and Trade the Support for Czech exports, in particular of final products and complete plant equipment the **CzechTrade Agency administers**:

- Programme „**Increasing effectiveness of enterprises' presentation in foreign trade fairs, exhibitions**“ (marketing, official trade fairs and exhibitions)
- Programme „**Human resource development in the area of foreign trade**“ (export consultant, development of information and consultancy services for international trade)

In the event that new rules of operational programmes for 2007 – 2013 covered from EU funds will enable to use these funds for networking activities of commercial representations, the export strategy will respond flexibly to such development

The Ministry of Industry and Trade in collaboration with commercial banks will seek to promote higher availability of commercial export financing for Czech commercial entities.

This may include for instance joint marketing of products (the export financing offer of commercial banks will be supplemented with information on services of CzechTrade and the other way round) or the sharing of client information (clients of commercial banks' export financing may be potential clients of CzechTrade and similarly, clients of CzechTrade may choose between the financing and collateral with state support or on a commercial basis).

5. Use of EU development co-operation for the support of exports

After the Czech Republic's accession of the European Union a window of opportunity has opened for local enterprises to participate in orders/contracts falling within the scope of implementation of EU foreign development co-operation projects. The sole funds administered by the EU through the European Commission with respect to these projects amount to several billion EUR annually. The Czech Republic also contributes to these funds. Additional window of opportunity has opened in programmes of EU Member States and other international institutions, such as the World Bank or the UNO.

Higher level of participation of local companies in the implementation of these programmes will allow more effective use of the Czech state's contribution to the EU budget. Other effects of such policy will include not only sufficient funds available for local companies and obtained new orders/contracts but also newly established trade contacts useful for the realization of additional business transactions and investments, increase of trade in a given territory and establishing strong partner ties with experienced enterprises from EU Member countries.

The conditions and rules for successful participation in EU programmes are very demanding. The entrepreneurs who want to succeed will have to abide by these rules. The task of the Ministry of Industry and Trade in this respect consists in assisting enterprises to find their bearings in EU development co-operation programmes and supporting their participation in these programmes.

Consequently, the services provided by the state will be centred on:

- **obtaining information on the focus of programmes**, their number, the envisaged territories, conditions and allocated resources in advance, including proactive influencing of the new wording of, for instance, EU development policy during its reviewing. This will be secured by the involvement of diplomatic staff of the Permanent Representation in Brussels in this process (lobbying),
- **mediation of information for local companies and consultancy services on particular projects** (the Internet, conferences, workshops, publications, media, contact with companies) including assistance services,
- **consultancy services** will focus on the form and substance of preparation of specific projects. The assistance will focus on the support for Czech solutions in the territory of destination. It will be important to promote the awareness of opportunities available to the general commercial public and therefore co-operate with professional unions, professional associations and other associations (implementation).

6. Use of long-term government export loans (soft loans)

The state support for exports in the European Union is centred on the regulation of the state support for credit insurance and financing with the state support in the case of long-term loans with maturity longer than two years, in particular for exports intended for third countries outside of the EU.

The European Union in this case assumes the rules that are primarily created within OECD and the Convention on officially supported export loans (the so-called OECD Consensus) which also lays down the principles governing the provision of long-term government export loans (the so-called soft loans).

The rules approved for soft loans by the Government of the Czech Republic on the basis of these principles are based on the assumption that this will be always a combination of the long-term government loan and the long-term export loan under standard conditions of the state support according to OECD Consensus, i.e. with the support of EGAP credit insurance or also with the financing supported by the Czech Export Bank. These products (the so-called soft loans) are under Czech conditions harmonized with territorial priorities of the state support for exports in such a manner to be delivered to countries which will receive the concentrated state support.

The success of the project will be assessed according to the development **of the volume of exports supported by the financing and insurance with state support**, according to the value of the **newly insured loans**, and according to the **volume of the provided financing with state support**. Another criterion will be **the extent of the use of programmes** of the Structural Funds and the level of fulfilment of the development co-operation goals. The assessment will be performed once a year.

2.12. The Export Academy

New features in comparison with the Pro-Export Policy Concept for 2003–2006:

- Transfer of export know-how from successful professionals, mutual sharing of information
- Special workshops on specific occasions
- Events in regions
- Preparation for work in Czech institutions abroad

The purpose of the project is the transfer of export know-how to the commercial sphere. The project should secure the sharing of **best practice** from successful business transactions, the sharing of information on risks of trading in international markets, and last, but not least, it should also inform Czech companies about current trends in foreign markets. The services will be available in individual regions of the Czech Republic. The start-up companies of even less experienced exporters will have available professional and comprehensive export tailor-made training courses organized by the CzechTrade agency, in collaboration with EGAP, the ČEB and commercial representations and taking advantage of experience of the Business Academy attached to the Economic Chamber of the Czech Republic. The source for this education will be, inter alia, successful business transactions on the basis of which these activities may be improved and presented to clients as best practice. The Czech Trade agency thanks to the network of its representation offices will enable also the transformation of foreign experience and thus will inform the clients about recent developments in markets abroad.

Project	Export Academy
Co-ordinator	The Ministry of Industry and Trade
Implemented by	CzechTrade, EGAP, the ČEB
Start date	2nd half of 2006
Purpose	<ul style="list-style-type: none"> ▪ Improve the companies' export competencies
Target status	<ul style="list-style-type: none"> ▪ Sufficient number of prepared and informed clients ▪ Tailor-made education and consultancy
Criteria	<ul style="list-style-type: none"> ▪ Customer satisfaction ▪ Increase of the number of educational projects ▪ Increase of the number of customers of educational events

The chief goal of the project is to **improve the companies' export competencies** and the education of exporters in such a manner to ensure that this education be consistent with the requirements of exporters and address problems the exporters may face when realizing a particular export transaction.

Education of companies in general, and individual employees in particular, is directly connected with, for the time being, still often insufficient preparation of companies for exports. The education will focus on new activities set out in the Strategy and it will include also **specialized workshops** (both informative and consulting ones) **on specific occasions**. **Events in regions** will be a priority. The workshops are prepared by organizations that are closest to particular issues. In collaboration with universities also certified courses for export managers will be organized.

The ČEB will continue to train exporters in the area of the export financing at its workshops and events for exporters organized in collaboration with professional associations, EGAP, CzechTrade, the International Chamber of Commerce, the Czech Banking Association, the Economic Chamber and its regional sections.

EGAP organizes the education of exporters on the possibilities of the support for exports in the form of credit insurance by means of workshops and lectures prepared in collaboration with professional associations. (The Association of Industry and Transport, the Economic Chamber, the Czech Banking Association, the Czech Association of Insurance Companies) both at the central and at the regional level. In the future, EGAP will use for the organization of educational events the network of regional managers established together with CzechTrade and the ČEB in individual regional offices of the Economic Chamber of the Czech Republic.

The Export Academy, in collaboration with the Diplomatic Academy of the Ministry of Foreign Affairs will prepare the candidates prior to the commencement of their activities in state institutions abroad (embassies, representative offices of CzechTrade).

The basic criteria for the assessment of the project will be the **increase of the number and quality of educational events**, the increase of the number of participants in educational services and their **satisfaction**. These criteria will be monitored on an ongoing basis, the assessment at the project level will be performed twice a year.

3. Conclusion

The export strategy responds to the change in the Czech Republic's position in international economic relations after the Czech Republic joined the EU. In view of this new situation and new challenges of the world trade, in particular in the area of trading in services, it was necessary **to update the pro-export policy concept, to define new approaches** that will ensure the improvement of the country's position in EU markets and extend the opportunities to export into new dynamically growing markets.

The export strategy focuses now on the whole range of trade relations with other countries, not only, as up till now, on the mere exports of goods. New features of this export strategy include in particular **the emphasis on exports of services, the development of investment activities of Czech commercial entities abroad and the flexible system of selection of territorial priorities**. The customer-oriented approach and the emphasis put on the needs of commercial entities will contribute to higher comfort for clients of the pro-export policy in the form of comprehensive offer of services, the customer centre and higher awareness of services provided by the state.

	Content				Management and implementation						
	Overall focus	Exports of services	Exports of acquisitions and direct investments	Customer-oriented approach	Vision (Target status)	Opportunities to fulfill the vision	Goals, criteria	Transparent system of assessment control	Project-based approach	Co-ordination of activities	Quality management : processes, customer satisfaction, improvement
Pro-Export Policy Concept for 2003-2006	Exports of goods				<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				
Export strategy of the Czech Republic for 2006 – 2010	The whole range of trade relations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Table 4 – Comparison of the current pro-export policy concept and new export strategies

The export strategy introduces into the services provided by the state **new features in terms of the managerial approach to the management processes**. Policy goals have been shaped on the basis of the Balanced ScoreCard method which has proved successful in the private sector in the area of the management of strategies. A similar approach to the development of strategies is used in advanced countries also in the process of defining the goals and in the management of state institutions (Denmark, Finland).

The strategy defines the **opportunities for fulfilment of the vision, i.e. key challenges that need to be fulfilled** as a necessary prerequisite for achieving the anticipated effects of increased competitiveness. The application of the project management is another important new feature. The projects are defined **as cross-sectional which will ensure that policy**

goals are fulfilled on a co-ordinated basis, with transparent assessment and control. Similarly, the financing of the policy will be based on the project approach. The funds will not be distributed generally for the entire range of activities, on the contrary, they will be allocated to specific projects with clearly defined target status and time schedule. Consequently, it will be easier to evaluate the effectivity of the funds expended, i.e. the costs and benefits ratio. The assessment will be performed in regular intervals, with the participation of all relevant parties involved, in particular within the Czech Council for Support of Exports and Investments.

A necessary prerequisite for the implementation of the **export strategy is an intense co-operation in particular with entrepreneurs and also with other state institutions.** Consequently, partners for the implementation process will be in particular the **Association of Industry and Transport of the Czech Republic, the Economic Chamber of the Czech Republic and the Confederation of Employee and Commercial Associations in the Czech Republic**, and with respect to the state institutions: the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Agriculture, the Ministry of Transport and the Ministry for Regional Development.

The new features of the pro-export strategy are geared towards the enhancement of the Czech Republic's international competitiveness. **The international competitiveness concept** (the amended model of the „competitiveness diamond“ [POR90]) **defines four „edges“ of diamond**, their „cutting“ is the basis of the country's increased competitiveness. The pro-export policy offers measures that influence these basic features and links between them as follows:

A. We create the rules for companies' success (Environment and Companies)

The task of the pro-export strategy is to create such environment that will be conducive to the companies' success abroad. The Ministry of Industry and Trade, the Ministry of Foreign Affairs and other ministries will participate in the process of shaping of the EU's common trade policy and will actively influence these rules for the benefit of the Czech Republic's interests. An important goal of the export strategy is to make easier and simplify for exporters an access to EU markets and to third country markets.

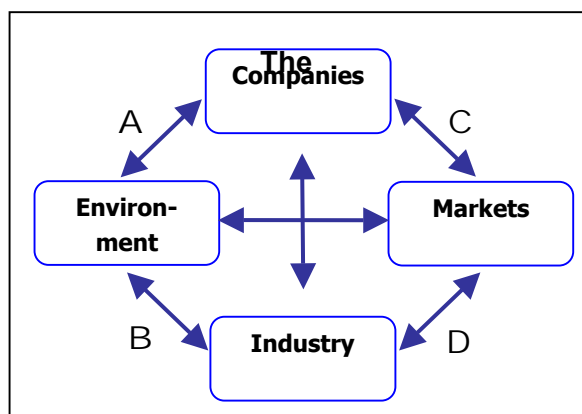


Figure 7 – Competitiveness diamond

The trade policy is treated as a service provided to taxpayers. The trade policy will be based directly on the requirements of entrepreneurs who will be informed about it.

The export strategy will deal with the creation of the pro-export environment and **trade facilitation** through **liberalization and active trade policy in international institutions**, in particular EU bodies, as well as in other international forums.

B. We develop co-operation and invest into it (the Environment and Industries)

Team co-operation, rather than rivalry leads to success. From this viewpoint, this is a co-operation between companies, but also co-operation of the representatives of entrepreneurs with partners from the state sector. The export strategy is based on the principle of partnership of the commercial sphere and the state sector.

A necessary prerequisite for successful fulfilment of the vision of the export strategy is a considerable improvement of co-ordination and co-operation in four areas – projects, services, activities and quality. To this end, the Ministry of Industry and Trade will establish, in collaboration with the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Agriculture and the Ministry of Transport the Czech Council for Support of Trade and Investments that will co-ordinate the development and implementation of the export strategy and will co-operate with commercial associations. After approval of the Export strategy for 2006 – 2010 by the Government of the Czech Republic and after drawing up of the principles of activities and defining of the description of work by all parties involved the Council will commence its operations (in the 1st quarter of 2006).

The economy of the Czech Republic is medium-sized and open. Due to the fact that 500 largest companies carry out some 60% of the overall volume of exports, there is a number of small and medium-sized companies for which, due to their size, it is difficult to penetrate foreign markets. Export alliances have better chances to succeed abroad, if they realize larger orders/contracts, similarly, thanks to co-ordinated approach it is possible to save large portion of costs incurred in penetrating foreign markets. Consequently, the export strategy will **promote the creation of alliances and export groups**.

On the part of state institutions participating in the execution of the pro-export policy it is necessary to ensure **enhancement of the quality of services and the clients' comfort** in using the services provided by the state.

C. We mediate opportunities (Companies and Markets)

One of the priority tasks of the export strategy is to make available information on foreign opportunities to local entrepreneurs.

The institutions in charge of the execution of the pro-export policy will actively promote the interests of Czech companies with respect to orders/contracts of special importance through economic diplomacy, in the course of negotiations of all government delegations, in international forums and in bilateral bodies (**Trade advocacy**). The representatives of the state abroad will also develop networking in the field of trade contacts with a view to facilitating the entry of Czech companies/industries into foreign markets. The support for commercial entities in the form of commercial and economic co-operation is a standard practice in all advanced countries.

The export strategy envisages the creation of a **network for exports** which means the single system of provision of information to specific recipients on specific opportunities, regional availability of services and co-operation of all parties involved from the state administration sector and commercial representations (Association of Industry and Trade, the Economic Chamber of the Czech Republic, professional associations, representatives of the regional self-government, etc.).

A large group of projects is geared towards **more efficient export assistance**. This includes services of the CzechTrade agency, EGAP and the ČEB and embassies of the Czech Republic abroad. Their mission is to provide services that will help to an exporter at each stage of the lifecycle of his product and are integrated into specific groups subject to the needs of a particular commercial entity.

The Ministry of Industry and Trade in collaboration with the Ministry of Finance **will extend the availability of financing** of Czech exports through preferential loans, services of EGAP and the ČEB, more extensive use of commercial financing, the EU Structural Funds and the development co-operation. This group of activities will contribute to the increase of financial support for national companies.

The export policy will be focused on **activities in key markets** which means the **identification** of strategic **export markets**, the development and implementation of strategies and action plans for territories and also **on increasing of direct investments and acquisitions** of Czech companies abroad.

D. We compete and win (Industries and Markets)

Our chief goal is to ensure that Czech entrepreneurs and companies compete and win in foreign markets.

The export strategy will focus on the development of the capability to succeed in foreign markets which will be achieved through professional consultancy services that will respond to problems of export companies in the course of their entry into foreign markets.

A necessary prerequisite for export capabilities of companies is sufficient number of qualified employees and export managers. The development of human resource competencies in both the corporate and the public sector, sharing of knowledge on international trade will be carried out in the form of the **Export Academy and professional export consultancy** that will arise in collaboration with private entities and universities.

Stronger brand of the Czech Republic will influence the success of negotiations and penetration of foreign markets by Czech producers. The Czech Republic will become a self-confident player in the field of economic diplomacy and a strong partner for entrepreneurs securing the provision of services of the state abroad. As far as the local impact is concerned, successful transactions will receive sufficient publicity. The Ministry of Industry and Trade will be actively **presenting successes** of the Czech economy and companies that win recognition abroad. These successes exemplify creative power and courage of

Czech companies and will contribute to the enhancement of reputation of our country in the world.

Annex 1 – SWOT analysis

<p>Strengths</p> <p>Macroeconomic factors</p> <ul style="list-style-type: none"> ▪ High openness of the economy ▪ Increase of the export-driven rate of economic growth ▪ Lower production costs ▪ Low rate of inflation ▪ Continuous influx of direct foreign investments <p>Resources and natural conditions</p> <ul style="list-style-type: none"> ▪ Relative qualifications, adaptability and low cost of the labour force ▪ Advantageous geographic position in Central Europe bordering on advanced EU countries ▪ Historical and natural potential for the development of tourism – cultural, historical and technical monuments, the spa industry <p>Microsphere</p> <ul style="list-style-type: none"> ▪ Adaptability of some small and medium-sized enterprises (SMEs) to the changing market requirements ▪ Tradition of industrial production ▪ Attractiveness for foreign investors ▪ Good prerequisites for the development of information technologies ▪ Support for the development of own scientific, development and research base on the part of some direct foreign investors ▪ System of support for exports – searching for export opportunities, information, educational and assistance services and the carefully worked-out system of insurance of export credit risks involved in the export of Czech products and a comprehensive offer of financing of export loans, the financing of the production intended for exports, the financing of investments of Czech legal entities abroad and financial services associated with the financing of exports 	<p>Weaknesses</p> <p>Macroeconomic factors</p> <ul style="list-style-type: none"> ▪ Territorial concentration of exports ▪ Commodity concentration of exports ▪ High share of exports with medium added value ▪ Low share of services in exports <p>Microsphere</p> <ul style="list-style-type: none"> ▪ Limited capability of enterprises to be competitive in foreign markets ▪ Low export performance of SMEs and the low capability to participate in the activities of foreign investors ▪ Low productivity of labour in comparison with the EU ▪ Lack of own investment funds, funds for innovations and capital for exports ▪ Insufficient development and transfer of new technologies and insufficient links between enterprises and research and development institutions ▪ Insufficient creation of networks of small and medium-sized enterprises ▪ Confused information about the markets ▪ Low availability of export competencies and knowledge ▪ Demanding bureaucratic procedures and unwillingness to help on the part of the officials
<p>Opportunities</p> <p>Image</p> <ul style="list-style-type: none"> ▪ Good image of export industries ▪ Good reputation of the Czech Republic in the EU, ▪ Good reputation of Czech exports in „traditional“ markets <p>Markets</p> <ul style="list-style-type: none"> ▪ Increase of commercial and economic activity in the EU's internal market ▪ Increase of competitiveness of products unrelated to cost (prices) ▪ Continuing interest of foreign tourists in the Czech Republic <p>Resources</p> <ul style="list-style-type: none"> ▪ Taking advantage of financing opportunities from EU resources ▪ Continued influx of direct foreign investments ▪ Increased participation in EU development co-operation 	<p>Threats</p> <p>Image</p> <ul style="list-style-type: none"> ▪ The image of the Czech Republic as the country applying the principles of „hired labour“ without any innovation potential ▪ The image of the Czech Republic as a transitive economy („eastern “ image of the Czech Republic) ▪ The image of the Czech Republic as a country with the higher level of corruption, bureaucracy and slow judicial system <p>Markets</p> <ul style="list-style-type: none"> ▪ Economic development of trade partners ▪ Economic recession in important parts of the world ▪ Transfer of trade and investments into countries with lower production costs <p>Resources</p> <ul style="list-style-type: none"> ▪ Increase of wages and prices of imported inputs

	<ul style="list-style-type: none">▪ Gradual accommodation of local price relations and the price level to that of EU countries
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Table 5 – SWOT analysis focused on exports

Annex 2 – Integrated offer of services

	Competencies			Starting exporter / Aspiring exporter		Current exporter (expands his activities to another market)		Exporter seeking another form of presence in the foreign market (representative, branch)		Entrepreneur seeking diversification of production / investment abroad	
	Co-ordinator	Implemented by	Co-operation	SME	Large	SME	Large	SME	Large	SME	Large
Conditions	MIT	MIT, MAgri	embassies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assistance in the market	MIT, MFA	CzechTrade	embassies			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the market	MIT	CzechTrade	embassies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Presentation	MIT, MFA	embassies, CzechTrade, Czech Centres	x			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Finances	MIT, MF	ČEB	EGAP			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Insurance	MIT, MF	EGAP	ČEB, commercial banks			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Knowledge / competencies	MIT	CzechTrade	x	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				

Table 6 - Integrated offer of services

Annex 3 – Embassies of the Czech Republic abroad

Commercial and Economic Sections of the Czech Republic - embassies

ALBANIA embassy Tirana tel.: 0035542/34004, 32117 e-mail: Commerce_Tirana@MFA.cz	EGYPT embassy Cairo tel.: 00202/7485531, 7485469, 7486550, OEÚ – 00202/3315202, 3315204 e-mail: Commerce_Cairo@MFA.cz	IRAN embassy Teheran tel.: 009821/8716720,8718022,8718909,8715214 e-mail: Commerce_Teheran@MFA.cz
ALGERIA embassy Algiers tel.: 0021361/560078 e-mail: Commerce_Algiers@MFA.cz	ESTONIA embassy Tallinn tel.: 00372/6274404, 6314401 e-mail: talinn@embassy.MFA.cz	IRAQ embassy Baghdad tel.: 009641/5417136,5424886 e-mail: baghdad@embassy.MFA.cz
ARGENTINA embassy Buenos Aires tel.: 005411/48080376, 48073548, 48073107 e-mail: Commerce_BuenosAires@MFA.cz	ETHIOPIA embassy Addis Abeba tel.: 002511/516382, 516132 e-mail: Commerce_AddisAbeba@MFA.cz	IRELAND embassy Dublin tel.: 003531/6681135,6681343,KO-6681281 e-mail: dublin@embassy.MFA.cz
AUSTRALIA embassy Canberra tel.: 00612/62901386,KO-62901543 e-mail: Commerce_Canberra@MFA.cz	The PHILIPPINES embassy Manila tel.: 00632/8111155,8111156,8111158, KO- 8111160 e-mail: Commerce_Manila@MFA.cz	ITALY embassy Rome tel.: 003906/3609548, 3244459 e-mail: Commerce_Rome@MFA.cz
BELGIUM embassy Brussels tel.: 00322/6418933 e-mail: Commerce_Brussels@MFA.cz	FINLAND embassy Helsinki tel.: 003589/61208815 e-mail: Commerce_Helsinki@MFA.cz	ISRAEL embassy Tel Aviv tel.: 009723/6918282-3,6910168 e-mail: telaviv@embassy.MFA.cz
BELORUSSIA (BELARUS) embassy Minsk tel.: 00375172/265243-6,KO-265247 e-mail: Commerce_Minsk@MFA.cz	FRANCE embassy Paris tel.: 00331/40651317, 40651315 e-mail: Commerce_Paris@MFA.cz	JAPAN embassy Tokyo tel.: 00813/34008122-3,34008125 e-mail: Commerce_Tokyo@MFA.cz
BOSNIA-HERZEGOVINA embassy Sarajevo tel.: 0038733/447525, 446966, 232748, KO-536227 e-mail: Commerce_Sarajevo@MFA.cz	GHANA embassy Accra tel.: 0023321/223540,247282 e-mail: accra@embassy.MFA.cz	YEMEN embassy Sanaa tel.: 009671/440946 e-mail: Commerce_Sanaa@MFA.cz
BRAZIL embassy Brasília tel.:005561/32427785, 32427905 e-mail: Commerce_Brasilia@MFA.cz	GEORGIA embassy Tbilisi tel.: 0099532/343310, KO-343098 e-mail: Commerce_Tbilisi@MFA.cz	The SOUTH AFRICAN REPUBLIC tel.: 002712/4312380, 4303601, OEÚ- 4312385 e-mail: Commerce_Pretoria@MFA.cz
GREAT BRITAIN embassy London tel.: 004420/72437912, KO-72437919, 72437920,72437929, Viza-72437943 e-mail: oeu.london@embassy.MFA.cz	CHILE embassy Santiago de Chile tel.: 00562/2321066, 2311910 e-mail: Commerce_Santiago@MFA.cz	JORDAN embassy Amman tel.: 009626/5927051-2 e-mail: Commerce_Amman@MFA.cz
BULGARIA embassy Sofia tel.: 003592/9461110,9461111 e-mail: Commerce_Sofia@MFA.cz	CROATIA embassy Zagreb tel.: 003851/6177246, 6121558, KO- 6177239,6121618 e-mail: Commerce_Zagreb@MFA.cz	CANADA embassy Ottawa tel.: 001613/5623875 e-mail: Commerce_Ottawa@MFA.cz
China embassy Beijing tel.: 008610/65326902- 4,65325124,65324286 e-mail: Commerce_Beijing@MFA.cz	INDIA embassy Delhi tel.: 009111/2611 0205, 2611 0318, 2611 0382, 2688 6218, KO-26889225 e-mail: Commerce_Delhi@MFA.cz	KAZAKHSTAN embassy AlmaAta tel.: 0073272/641606, 641703 e-mail: Commerce_AlmaAta@MFA.cz
DENMARK embassy Copenhagen tel.:004539/291888, 291598 e-mail: Commerce_Copenhagen@MFA.cz	INDONESIA embassy Jakarta tel.: 006221/3904075-7 e-mail: Commerce_Jakarta@MFA.cz	KENYA embassy Nairobi tel.: 002542/210494,223448 e-mail: Commerce_Nairobi@MFA.cz

COLUMBIA embassy Bogota tel.: 00571/6400600-607 e-mail: Commerce_Bogota@MFA.cz	GERMANY embassy Berlin tel.: 004930/22638196, 22638194, 22638212 e-mail: Commerce_Berlin@MFA.cz	UNITED ARAB EMIRATES tel.: 009712/6782800 e-mail: Commerce_AbuDhabi@MFA.cz
The CONGO (Kinshasa) embassy (Kinshasa) tel.: 0024388/45843	NIGERIA embassy Abuja tel.: 002349/3141245, 3141247 e-mail: abuja@embassy.MFA.cz	UNITED STATES OF AMERICA embassy Washington tel.: 001202/2749111, 2749117 e-mail: eco_washington@embassy.MFA.cz
KOREA embassy Soul tel.: 00822/7256765-6, 7206453 e-mail: Commerce_Seoul@MFA.cz	The NETHERLANDS embassy Hague tel.: 003170/3130031, 3130014 e-mail: Commerce_Hague@MFA.cz	SERBIA AND MONTENEGRO embassy Belgrade tel.: 0038111/3230133-4 e-mail: Commerce_Belgrade@MFA.cz
COSTA RICA embassy San Jose tel.: 00506/2965671, 2321471 e-mail: Commerce_SanJose@MFA.cz	NORWAY embassy Oslo tel.: 004722/22121030 e-mail: Commerce_Oslo@MFA.cz	SYRIA embassy Damascus tel.: 0096311/3331383, 3339395, 3333077, 3330935 e-mail: Commerce_Damascus@MFA.cz
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Annex 4 – List of projects

Project	Purpose	Co-ordinator	Implemented by	Target status	Metrics
Facilitation of trade conditions	Promote the Czech Republic's interests and actively influence the EU's common trade policy and the functioning of the EU's single internal market	MIT	MIT, MFA, MAgr	<ul style="list-style-type: none"> • Liberalization of trade in goods and services • Mapping and removing of obstacles and barriers to Czech exports • Simplification of trade procedures • Securing protection against unfair trade practices • Co-ordinated activities of entities both abroad and in the local market • Making full use of advantages of the internal market • Lobbying for companies' interests abroad • Quality information service • Provision of integrated solutions 	<ul style="list-style-type: none"> • Satisfaction of the commercial sphere with the results of the trade policy • Reduction and removal of barriers to trade
Activities in key markets	<ul style="list-style-type: none"> • Identify and on an ongoing basis update key markets for exports and investments • Develop strategies and action plans for the promotion of commercial and economic interests in the territory 	MIT	MIT, embassies, CzechTrade, Czech Centres	<ul style="list-style-type: none"> • Flexible territorial priorities • Co-ordinated and uniform (single) strategies for the promotion of interests • Increase of pro-export events in key markets 	<ul style="list-style-type: none"> • Extent of fulfilment of goals set out in territorial strategies and action plans • Increase of the number of events and the satisfaction of Czech companies
Building up of brand name of the Czech Republic in the world	<ul style="list-style-type: none"> • Increase the positive awareness of the Czech Republic abroad • Enhance the image of the Czech Republic abroad • Use effectively the funds allocated for the Czech Republic's presentation 	MIT, MFA	MIT, CzechTrade, embassies	<ul style="list-style-type: none"> • „The Czech Republic as a credible, attractive partner for trade and investment co-operation“ 	<ul style="list-style-type: none"> • More extensive positive publicity of the Czech Republic in foreign media • Contracts in progress and concluded contracts
Efficient assistance for exporters	Provide professional, effective and useful assistance to companies	MIT, MFA	embassies, CzechTrade, EGAP, ČEB, Czech Centres	<ul style="list-style-type: none"> • Co-ordinated activities of entities both abroad and in the local market • Lobbying for companies' interests abroad • Quality information service on the events in the territory • Provision of integrated solutions • Transfer of trends and innovations from foreign markets 	<ul style="list-style-type: none"> • Increase of successful business transactions • Increase of the number of companies with exports over CZK 10 million • Increase of opportunities abroad • Satisfaction of clients with the services provided • Increase of time devoted to companies • Higher awareness of the territory
Increase of exports of services	<ul style="list-style-type: none"> • Liberalization of services in EU countries • Increase the share of exports of services and improve their structure 	MIT	MIT, CzechTrade, embassies	<ul style="list-style-type: none"> • More prepared and informed clients • Tailor-made education and consultancy • Creation of the offer of the Czech Republic's capacities in the area of services • Goal-directed presentation of the Czech Republic's capacities in the area of services for interested parties abroad 	<ul style="list-style-type: none"> • Per capita exports of services • Reduction of barriers to trade in the services market within the EU

Increase of direct investments and acquisitions abroad	Increase investments of Czech companies abroad	MIT	CzechTrade, ČEB, EGAP	<ul style="list-style-type: none"> • More quality investments of Czech companies abroad • Efficient consultancy and assistance during diversification of production abroad and investments of Czech companies • Quality information on investment and acquisition opportunities • Available financial resources for quality investments projects 	<ul style="list-style-type: none"> • Per capita exports of investments • Number of successful transactions involving export abroad
Development of export alliances	Czech companies have better chances to succeed abroad as an alliance due to their size	CzechTrade	CzechTrade, EGAP, ČEB	<ul style="list-style-type: none"> • More competitive alliances • Specific programmes and services provided by the state for alliances 	<ul style="list-style-type: none"> • Number of export alliances • Number of successful export transactions
New system of services provided by the state for exports	<ul style="list-style-type: none"> • Increase customer-oriented approach of entities • Provide better servicing to entrepreneurs • Improve mutual co-ordination and awareness of executive entities 	MIT, MFA	MIT, MFA	<ul style="list-style-type: none"> • Enhance the quality of the services provided by the state • Common offer of services provided by the state • Tailor-made client services • Higher availability of services abroad • Certified management system under ISO 	<ul style="list-style-type: none"> • Satisfaction of the commercial sphere
Customer Centre for Exports	<ul style="list-style-type: none"> • Comprehensive information in a single point • Effective communication on the offer of services 	MIT	MIT	<ul style="list-style-type: none"> • More specific and quality opportunities • Comfortable servicing of clients • Enhancement of the quality of the services provided by the state 	<ul style="list-style-type: none"> • Satisfaction of clients • Answered questions
Network for Exports	<ul style="list-style-type: none"> • Increase the awareness also about the events in the territory and the opportunities available • Simplify obtaining of information for entrepreneurs • Improve marketing of individual territories 	MIT	CzechTrade, embassies, ČEB, EGAP	<ul style="list-style-type: none"> • Daily updated information on the territory • Clearly arranged, structured and easily obtainable information 	<ul style="list-style-type: none"> • Number of visitors to Business Info
Extension of financial services for Czech exports	Availability of variable forms of financing and insurance	MIT, MF CR	MIT, ČEB, EGAP, CzechTrade	<ul style="list-style-type: none"> • Use of the Structural Funds – correct programmes • Use of EU development co-operation for the support for exports • Flexible support for export activities of commercial entities in target countries • Sharing of risks and financing resources with foreign partners (multisourcing) 	<ul style="list-style-type: none"> • Volume of exports supported by credit insurance • Value of newly insured loans • Volume of the provided financing with the state support • Use of programmes of the Structural Funds • Volume and fulfilment of goals of the EU development co-operation

Export Academy	Improve the companies' export competencies	MIT	CzechTrade	<ul style="list-style-type: none"> • Sufficient number of prepared and informed clients • Tailor-made education and consultancy 	<ul style="list-style-type: none"> • Customer satisfaction • Increase of the number of educational events • Increase of the number of customers of educational events
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Table 7 - List of projects

Annex 5 –Quantification of the state budget expenditure

Quantification of the state budget expenditure for the implementation of the export strategy for 2006 – 2010 (CZK million)					
	2006	2007	2008	2009	2010
Grants(subsidies) for strengthening EGAP Funds	not planned				
Grants (subsidies) to cover the ČEB losses	889	978	1000	1000	1000
Soft loans	300	500	800	1000	1000
CzechTrade	279	306	336	367	400
Exhibitions and trade fairs	220	230	240	250	250
OEÚ ZÚ	110	160	210	240	260
MIT	340	400	410	410	420
MFA					
Total	2,138	2,574	2,996	3,267	3,330
% of the state budget	0.22	0.23	0.24	0.24	0.22

From 2007 onwards, it is real to anticipate the increase of resources to be provided from EU Structural Funds for the export strategy projects of some CZK 300 million annually.

The increase of the number of employees abroad to the total of 400 people (OEÚ, CzechTrade), as described in the strategy, will be covered only partly by the staff posted from the head office (up to 150 employees). The remaining staff will be covered from local labour force.

From the share of expenditure for the support for exports in the state budget is clear, that there will be no considerable increase of the funds, moreover, this expenditure accounts for less than 0.25 % of the state budget.

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List of abbreviations

Abbreviation	Meaning
BSC	Balanced ScoreCard
CAF	Common Assessment Framework
ČEB	Czech Export Bank, j.s.c.
ČMRZB	Czech-Moravian Guarantee and Development Bank, j.s.c.
DDA	Doha Development Agenda
EBRD	European Bank for Reconstruction and Development
EGAP	Export Guarantee and Insurance Corporation, j.s.c.
EHK	United Nations Economic Commission for Europe
ES	European Community
EU	European Union
EUROSTAT	The Statistical Office of the European Communities
FINPRO	Finnish Agency for the support of trade
GATS	General Agreement on Trade in Services
HK ČR	Economic Chamber of the Czech Republic
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
KZPS	Confederation of Employer and Commercial Associations
MF	Ministry of Finance
MfRD	Ministry for Regional Development
MIT	Ministry of Industry and Trade
MLSA	Ministry of Labour and Social Affairs
MAgr	Ministry of Agriculture
MFA	Ministry of Foreign Affairs
SMEs	Small and medium-sized enterprises
OECD	Organization for Economic Co-operation and Development
UNO	United Nations Organization
SINPRO	Shared Information System
SPD	Association of Industry and Transport
SWOT	Analysis of strengths and weaknesses, opportunities and threats
PR	Permanent representation of the Czech Republic
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization
FO/ZK	Foreign office of CzechTrade
EM/ZÚ	Embassies of the Czech Republic
FDC/ZRS	Foreign development co-operation

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